

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Livonia</u>	County Wayne
Audit Date November 30, 2003	Opinion Date February 23, 2004	Date Accountant Report Submitted To State: March 31, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Hwy.	City Southfield	State MI	ZIP 48034
Accountant Signature 			

City of Livonia, Michigan

Financial Report with Supplemental Information November 30, 2003

City of Livonia, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Livonia, Michigan as of and for the year ended November 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Livonia, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Livonia, Michigan as of November 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress and employer contributions, postemployment benefit plans schedule of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Livonia, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note I, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of December 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

February 23, 2004

Overview of the Financial Statements

The City of Livonia's 2003 annual report follows a different format than in previous years. This annual report consists of four parts: (1) management's discussion and analysis, (2) basic financial statements, (3) required supplementary information, and (4) other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that are intended to provide longer-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- **Government Activities** - Most of the City's basic services are included here, such as the police, fire, public works, parks departments, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding for these activities.
- **Business-type Activities** - The City charges fees to customers to cover the costs of certain services it provides. The City's water and sewer system, golf course operations, and nonfederal senior housing are treated as business-type activities.
- **Component Units** - The City includes two other entities in its report, the Plymouth Road Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which is issued on behalf of the authorities by the City.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. Other funds are established to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash, flow in and out; and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps the reader determine if there are more or fewer financial resources available to spend in the near future to finance the City's programs.
- **Proprietary Funds** - Services which are intended to be entirely self-supporting by customer fees are generally reported in proprietary funds. Proprietary fund statements, such as government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

The City as a Whole

The City's combined net assets are \$226 million at November 30, 2003. Business-type activities make up \$84.9 million and governmental activities make up \$141.1 million of the total. Future reports will provide an analysis of comparative data from the statement of activities. Comparative data is not required during the first year of reporting under GASB Statement No. 34, and therefore, a comparative condensed statement of activities is not part of the management's discussion and analysis. In a condensed format, the table below shows a comparison of the net assets as of November 30, 2003 to the prior year.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

City of Livonia - Net Assets

The City's assets exceed its liabilities at the end of the fiscal year by \$226 million (net assets). However, a major portion (79 percent) of the City's net assets represents its investments in capital assets (e.g., land, roads, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these physical assets to provide services to its citizens. These assets are not liquid and not available for future spending.

Unrestricted net assets of the City decreased from \$10.9 million at November 30, 2002 to \$9.5 million at the end of this year. The amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

City of Livonia - Net Assets (in millions of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Assets						
Current and other assets	\$ 45.8	\$ 54.3	\$ 26.5	\$ 25.9	\$ 72.3	\$ 80.2
Capital assets	<u>160.5</u>	<u>152.2</u>	<u>82.1</u>	<u>83.7</u>	<u>242.6</u>	<u>235.9</u>
Total assets	206.3	206.5	108.6	109.6	314.9	316.1
Liabilities						
Long-term liabilities	56.5	60.0	19.8	15.4	76.3	75.4
Other liabilities	<u>8.7</u>	<u>11.5</u>	<u>3.9</u>	<u>11.2</u>	<u>12.6</u>	<u>22.7</u>
Total liabilities	65.2	71.5	23.7	26.6	88.9	98.1
Net Assets						
Invested in capital assets -						
Net of related debt	114.5	109.8	64.4	64.2	178.9	174.0
Restricted	17.6	14.4	20.0	18.7	37.6	33.1
Unrestricted	<u>9.0</u>	<u>10.8</u>	<u>.5</u>	<u>.1</u>	<u>9.5</u>	<u>10.9</u>
Total net assets	<u>\$141.1</u>	<u>\$135.0</u>	<u>\$84.9</u>	<u>\$83.0</u>	<u>\$226.0</u>	<u>\$218.0</u>

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2003:

City of Livonia - Changes in Net Assets (in millions of dollars)

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for service	\$11.6	\$ 27.6	\$ 39.2
Operating grants and contributions	8.4	-	8.4
Capital grants and contributions	.5	.8	1.3
General revenues:			
Property taxes	49.0	-	49.0
State-shared revenues	10.0	-	10.0
Rental income and fees	1.3	-	1.3
Interest	1.1	.2	1.3
Gain on sale of capital assets	.1	-	.1
Miscellaneous	<u>.4</u>	<u>.3</u>	<u>.7</u>
Total revenues	82.4	28.9	111.3
Expenses			
General government	8.3	-	8.3
Public safety	32.0	-	32.0
Public works	20.0	-	20.0
Community and economic development	1.8	-	1.8
Recreation and culture	11.6	-	11.6
Interest on long-term debt	2.5	-	2.5
Water and sewer	-	24.6	24.6
Golf course	-	1.5	1.5
Housing	<u>-</u>	<u>.9</u>	<u>.9</u>
Total expenses	<u>76.2</u>	<u>27.0</u>	<u>103.2</u>
Change in Net Assets	6.2	1.9	8.1
Net Assets - December 1, 2002	<u>134.9</u>	<u>83.0</u>	<u>217.9</u>
Net Assets - November 30, 2003	<u>\$ 141.1</u>	<u>\$ 84.9</u>	<u>\$ 226.0</u>

Governmental Activities

For the year ended November 30, 2003, revenues for the City's governmental activities totaled \$82.4 million. Property taxes accounted for 60 percent of the total revenues, or \$49.0 million. Charges for services such as court fines, building permits, and recreation fees accounted for 14 percent of the total, or \$11.6 million. State-shared revenues were 12 percent, or \$10.0 million; these revenues continue to be a concern as to future funding levels.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Expenses for the City's governmental activities totaled \$76.2 million. Of this total, \$32.0 million (42 percent) was spent on public safety and \$20.0 million (26 percent) was spent on public works.

Business-type Activities

Livonia has three business-type activities. These include the water and sewer system, the operating fund for the Fox Creek, Idyl Wyld, and Whispering Willows golf courses, and nonfederal senior housing at Silver Village, Newburgh Village, and 13 scattered site homes.

The following table shows the income before contributions and transfers for each of these activities in 2003:

(in thousands of dollars)	Water and <u>Sewer</u>	Golf <u>Courses</u>	<u>Housing</u>
Total revenues	\$24,931	\$1,969	\$1,230
Total expenses	<u>24,785</u>	<u>1,698</u>	<u>952</u>
Income before contributions and transfers	<u>\$146</u>	<u>\$271</u>	<u>\$278</u>

Capital Assets and Debt Administration

At the end of fiscal year 2003, the City has \$369.5 million invested, before depreciation, in a wide range of capital assets, including land, buildings, public safety equipment, computer equipment, and water and sewer lines. In addition, for the first time, the City is reporting infrastructure assets, which include roads, bridges, sidewalks, storm drains, and other assets in which the City has invested since its inception. The value of the infrastructure assets, net of depreciation, contained in this report is \$48.9 million at November 30, 2003.

Debt of \$47.7 million related to the construction of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets. During the year, the City issued bonds that were used to advance refund the 1991 General Obligation Unlimited Tax Bonds and the 1992 General Obligation Unlimited Tax Bonds. By doing this, the City reduced interest payments over the next five years by approximately \$110,000, or a present value savings of approximately \$104,000.

Debt related to the water and sewer system totaling \$13.2 million and debt related to the housing and golf course activities of \$5.8 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents construction of and improvements to existing water and sewer lines and improvements to the golf course and City residential rental facilities.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Significant additions to capital assets during fiscal year 2003 include \$5.2 million invested in the construction of and improvements to roads; completion of a Community Recreation Center totaling \$29.1 million, which includes \$6.6 million of capital outlay in 2003; and \$4.2 million invested in the construction of and improvements to water and sewer lines. There were no significant disposals of capital assets during fiscal year 2003.

The City's Funds

The fund financial statements begin on page 13 and provide detailed information on the most significant governmental funds - not the City as a whole. Funds are created to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2003 include the General Fund, the Community Recreation Fund, and the Refuse Disposal Fund.

The City's governmental funds reported a combined fund balance of \$28 million. This is a decrease of approximately \$5.7 million for the year. The primary cause for the decrease was a reduction of \$6.5 million in the community recreation construction fund balance. These funds, which originated from the proceeds of a bond issue in 2001, were used to substantially complete the new Livonia Community Recreation Center. The facility's construction was completed on time and below budget. Membership activity has exceeded projections.

Also included in the combined governmental funds is the Roads and Sidewalks Fund. This fund was established in fiscal year 2003 to account for the activity of the voter-approved 0.89 mill special levy for rehabilitation and reconstruction of City public roads, sidewalks, and trees.

General Fund Budgetary Highlights

Over the course of the year, the City administration and City Council monitor and amend the budget, primarily to prevent expenditures in excess of budget, as required by the State of Michigan Budget Act. The final amended budget included approximately \$1.8 million less revenue and \$940,000 less expenditures than the original adopted budget. The primary cause of the budget reductions was a result of amending the General Fund budget to remove the operations of the golf courses, which are now accounted for as a business-type activity.

Actual General Fund revenues were approximately \$2.0 million below the final budget. Specifically, State-shared revenue was \$768,000 less than the final budget because of mid-year reductions implemented by the State of Michigan, court fine revenue was \$387,000 less than the final budget because collection of traffic fines from a special enforcement project occurred later than expected, and interest income was \$207,000 less than the final budget because interest rates are at historic lows.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Actual General Fund expenditures were approximately \$2.3 million below the final budget. All departments held expenditures below the final budget. Major savings were achieved by continuing an across-the-board hiring freeze that began in 2002. At year end, approximately fifty (50) positions were vacant, resulting in approximately \$2.9 million in reduced wage and benefit costs City-wide.

Current Economic Conditions

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years.

The majority of the City's revenue base is constrained by factors outside the City's control. Property taxes, State-shared revenue, and interest income total 73 percent of the City's total governmental activities revenue. Property tax revenue increases are limited to very small increases because of Proposal A and Headlee state constitutional limitations. The State of Michigan has experienced budget deficits and has significantly reduced revenue-sharing payments to local governments to help reduce their deficit. Interest rates that are at historic lows have diminished the City's return on investments.

On the expenditure side, certain expenditures continue to rise at a rate far in excess of inflation. In particular, health care expenditures have continued their trend of double-digit increases. Hiring and capital outlay freezes, among other measures, have been implemented to reduce expenditures to the level of available revenue. The City's management is committed to living within its means, although the result may be diminished programs and service response capabilities.

Contacting the City's Financial Management

The financial report is designed to provide Livonia's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at the City of Livonia, 33000 Civic Center Drive, Livonia, Michigan 48154.

City of Livonia, Michigan

Statement of Net Assets November 30, 2003

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 34,848,496	\$ 12,418,165	\$ 47,266,661	\$ 502,259
Receivables:				
Taxes	132,445	-	132,445	-
Customers	-	8,694,319	8,694,319	-
Due from other governmental units	3,443,690	-	3,443,690	-
Employees' Retirement System	822,543	-	822,543	-
Special assessments	734,308	-	734,308	-
Traffic fines	1,249,239	-	1,249,239	-
Workers' compensation	303,859	-	303,859	-
Other	549,518	219,584	769,102	546
Inventory, prepaid expenditures, and deposits	848,524	238,767	1,087,291	-
Installment contracts	-	850,625	850,625	-
Restricted assets (Note 8)	2,862,487	4,051,638	6,914,125	-
Capital assets (Note 4):				
Nondepreciable capital assets	34,181,310	5,460,200	39,641,510	474,448
Depreciable capital assets - Net	126,312,794	76,678,618	202,991,412	12,478,214
Total assets	206,289,213	108,611,916	314,901,129	13,455,467
Liabilities				
Accounts payable	3,432,280	2,296,781	5,729,061	172,793
Accrued and other liabilities	3,949,936	187,241	4,137,177	25,017
Deferred revenue	1,323,200	1,208,214	2,531,414	-
Bonds and deposits	-	210,330	210,330	-
Noncurrent liabilities (Note 7):				
Due within one year	6,448,546	2,174,011	8,622,557	280,000
Due in more than one year	50,009,471	17,625,879	67,635,350	6,035,000
Total liabilities	65,163,433	23,702,456	88,865,889	6,512,810
Net Assets				
Invested in capital assets - Net of related debt	114,464,172	64,369,065	178,833,237	6,612,970
Restricted:				
Community recreation	4,099,735	-	4,099,735	-
Municipal refuse	4,644,149	-	4,644,149	-
Street, roads, and sidewalks	4,950,020	-	4,950,020	-
Grants and SAD street lighting	201,649	-	201,649	-
Library	422,410	-	422,410	-
Public safety communication	1,354,597	-	1,354,597	-
Adjudicated forfeitures	610,422	-	610,422	-
Debt service	406,001	-	406,001	-
Capital projects	969,166	-	969,166	-
Restricted for ordinance requirements	-	2,790,123	2,790,123	-
Water and sewer	-	17,173,232	17,173,232	-
Plymouth Road Development Authority	-	-	-	325,496
Economic Development Corporation	-	-	-	4,191
Unrestricted	9,003,459	577,040	9,580,499	-
Total net assets	\$ 141,125,780	\$ 84,909,460	\$ 226,035,240	\$ 6,942,657

City of Livonia, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 8,395,065	\$ 3,560,003	\$ -	\$ -
Public safety	31,975,395	5,297,775	785,104	-
Public works	20,021,624	1,294,174	6,287,138	495,565
Community and economic development	1,762,789	-	971,101	-
Recreation and culture	11,618,671	1,466,506	332,639	-
Interest on long-term debt	2,463,471	-	-	-
Total governmental activities	76,237,015	11,618,458	8,375,982	495,565
Business-type activities:				
Water and sewer	24,571,625	24,545,087	-	792,207
Golf course	1,535,503	1,826,236	-	-
Housing	903,078	1,221,494	-	-
Total business-type activities	27,010,206	27,592,817	-	792,207
Total primary government	<u>\$ 103,247,221</u>	<u>\$ 39,211,275</u>	<u>\$ 8,375,982</u>	<u>\$ 1,287,772</u>
Component units:				
Economic Development Corporation	\$ 11,877	\$ -	\$ -	\$ -
Plymouth Road Development Authority	1,591,519	-	2,318	-
Total component units	<u>\$ 1,603,396</u>	<u>\$ -</u>	<u>\$ 2,318</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenue				
Unrestricted fees and other				
Interest				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities Year Ended November 30, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,835,062)	\$ -	\$ (4,835,062)	\$ -
(25,892,516)	-	(25,892,516)	-
(11,944,747)	-	(11,944,747)	-
(791,688)	-	(791,688)	-
(9,819,526)	-	(9,819,526)	-
(2,463,471)	-	(2,463,471)	-
(55,747,010)	-	(55,747,010)	-
-	765,669	765,669	-
-	290,733	290,733	-
-	318,416	318,416	-
-	1,374,818	1,374,818	-
(55,747,010)	1,374,818	(54,372,192)	-
-	-	-	(11,877)
-	-	-	(1,589,201)
-	-	-	(1,601,078)
48,996,098	-	48,996,098	2,096,039
9,963,061	-	9,963,061	-
1,321,369	-	1,321,369	-
1,095,321	227,996	1,323,317	9,150
119,655	-	119,655	-
453,459	310,096	763,555	-
(34,703)	34,703	-	-
61,914,260	572,795	62,487,055	2,105,189
6,167,250	1,947,613	8,114,863	504,111
134,958,530	82,961,847	217,920,377	6,438,546
\$ 141,125,780	\$ 84,909,460	\$ 226,035,240	\$ 6,942,657

City of Livonia, Michigan

Governmental Funds Balance Sheet November 30, 2003

	Major Special Revenue Funds			Other Nonmajor	Total
	General Fund	Community Recreation	Refuse Disposal System	Governmental Funds	Governmental Funds
Assets					
Current assets:					
Cash and investments	\$ 5,473,941	\$ 5,409,246	\$ 5,932,545	\$ 11,218,395	\$ 28,034,127
Receivables:					
Taxes	70,505	9,111	29,868	22,961	132,445
Special assessments	-	-	-	734,308	734,308
Workers' compensation	303,859	-	-	-	303,859
Due from other governmental units	2,082,037	-	-	1,361,653	3,443,690
Employees' Retirement System	822,543	-	-	-	822,543
Other	493,021	-	11,498	44,999	549,518
Due from other funds (Note 5)	-	-	-	26,968	26,968
Inventory, prepaid expenses, and deposits	549,244	-	-	-	549,244
Restricted assets (Note 8)	-	-	-	2,862,487	2,862,487
Total assets	\$ 9,795,150	\$ 5,418,357	\$ 5,973,911	\$ 16,271,771	\$ 37,459,189
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,073,322	\$ 66,347	\$ 1,295,093	\$ 997,518	\$ 3,432,280
Due to other funds (Note 5)	-	-	-	26,968	26,968
Accrued and other liabilities	3,557,790	37,081	9,163	75,086	3,679,120
Deferred revenue	268,173	1,215,194	25,506	804,177	2,313,050
Total liabilities	4,899,285	1,318,622	1,329,762	1,903,749	9,451,418
Fund Balances					
Reserved for prepaids and inventory	432,337	-	-	-	432,337
Reserved for capital construction	-	-	-	2,568,267	2,568,267
Unreserved - Undesignated	4,463,528	4,099,735	4,644,149	-	13,207,412
Unreserved - Reported in:					
Special Revenue Funds	-	-	-	8,771,628	8,771,628
Debt Service Funds	-	-	-	406,001	406,001
Capital Projects Funds	-	-	-	2,622,126	2,622,126
Total fund balances	4,895,865	4,099,735	4,644,149	14,368,022	28,007,771
Total liabilities and fund balances	\$ 9,795,150	\$ 5,418,357	\$ 5,973,911	\$ 16,271,771	\$ 37,459,189

City of Livonia, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities November 30, 2003

Total Fund Balances for Governmental Funds	\$ 28,007,771
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	160,494,104
Certain receivables are expected to be collected over several years relating to special assessments. Additionally, fines and fees are not available to pay for current year expenditures	2,239,089
Compensated absences are not due and payable in the current period and are not reported in the funds	(7,457,121)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(47,675,452)
Accrued interest payable on long-term debt is not recorded in the funds	(270,816)
A portion of the Internal Service Fund (self-insurance) is included as part of governmental activities	<u>5,788,205</u>
Net Assets of Governmental Activities	<u>\$ 141,125,780</u>

City of Livonia, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended November 30, 2003

	Major Special Revenue Funds			Other Nonmajor	Total
	General Fund	Community Recreation	Refuse Disposal System	Governmental Funds	Governmental Funds
Revenue					
Property taxes	\$ 25,892,917	\$ 3,333,396	\$ 10,927,653	8,402,489	\$ 48,556,455
Licenses and permits	1,574,656	-	-	-	1,574,656
Special assessments	-	-	-	1,342,803	1,342,803
Intergovernmental revenue:					
State sources	10,092,909	-	-	6,682,812	16,775,721
Federal sources	5,577	-	-	1,533,621	1,539,198
Charges for services	3,203,650	1,836,849	139,719	951,317	6,131,535
Interest	517,821	69,763	77,613	288,202	953,399
Fines and forfeitures	3,299,467	-	-	255,269	3,554,736
Miscellaneous revenue	1,827,824	216	130,330	751,730	2,710,100
Total revenue	46,414,821	5,240,224	11,275,315	20,208,243	83,138,603
Expenditures					
General government	7,841,835	-	-	-	7,841,835
Public safety	30,203,958	-	-	1,091,979	31,295,937
Public works	2,311,620	-	10,774,675	10,053,893	23,140,188
Recreation and culture	3,108,299	2,551,058	-	4,704,177	10,363,534
Community and economic development	791,681	-	-	1,157,126	1,948,807
Employee benefits, insurance, and other	1,216,303	-	-	-	1,216,303
Capital outlay	-	-	-	8,245,179	8,245,179
Debt service	-	-	-	4,732,396	4,732,396
Total expenditures	45,473,696	2,551,058	10,774,675	29,984,750	88,784,179
Excess of Revenue Over (Under) Expenditures	941,125	2,689,166	500,640	(9,776,507)	(5,645,576)
Other Financing Sources (Uses)					
Proceeds from the issuance of long-term debt	-	-	-	2,385,000	2,385,000
Payment to refunded bond escrow agent	-	-	-	(2,358,846)	(2,358,846)
Transfers in (Note 5)	504,200	83,651	-	8,601,246	9,189,097
Transfers out (Note 5)	(2,060,816)	(2,005,799)	-	(5,157,185)	(9,223,800)
Total other financing sources (uses)	(1,556,616)	(1,922,148)	-	3,470,215	(8,549)
Net Change in Fund Balances	(615,491)	767,018	500,640	(6,306,292)	(5,654,125)
Fund Balances - Beginning of year - As restated (Note 1)	5,511,356	3,332,717	4,143,509	20,674,314	33,661,896
Fund Balances - End of year	\$ 4,895,865	\$ 4,099,735	\$ 4,644,149	\$ 14,368,022	\$ 28,007,771

City of Livonia, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended November 30, 2003

Net Change in Fund Balances - Total Governmental Funds **\$ (5,654,125)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 8,340,557

Certain revenue reported in the statement of activities in previous years did not provide current financial resources in the governmental funds until the current year (619,548)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 3,475,100

Interest expense is recorded when incurred in the statement of activities 25,733

Bond proceeds and payment to bond escrow agent are not reported as financing sources (uses) on the statement of activities (26,154)

Increase in accumulated employee sick and vacation pay is recorded when paid in the governmental funds (202,939)

A portion of the Internal Service Fund (self-insurance) is also included as governmental activities in the statement of activities 828,626

Change in Net Assets of Governmental Activities **\$ 6,167,250**

City of Livonia, Michigan

Proprietary Funds Statement of Net Assets November 30, 2003

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Assets					
Current assets:					
Cash and investments	\$ 11,149,072	\$ 527,940	\$ 57,040	\$ 11,734,052	\$ 7,498,482
Accounts receivable:					
Customers	8,694,319	-	-	8,694,319	-
Other	211,858	427	7,299	219,584	-
Inventory, prepaid expenditures, and deposits	206,387	-	4,263	210,650	327,398
Installment contracts	850,625	-	-	850,625	-
Restricted assets (Note 8)	4,051,638	-	-	4,051,638	-
Total current assets	25,163,899	528,367	68,602	25,760,868	7,825,880
Noncurrent assets (Note 4):					
Nondepreciable assets	295,764	1,581,948	3,582,488	5,460,200	-
Depreciable assets - Net	69,035,394	5,039,154	2,604,070	76,678,618	-
Total noncurrent assets	69,331,158	6,621,102	6,186,558	82,138,818	-
Total assets	94,495,057	7,149,469	6,255,160	107,899,686	7,825,880
Liabilities					
Current liabilities:					
Accounts payable	2,233,043	13,913	49,825	2,296,781	-
Accrued and other liabilities	111,804	62,546	12,891	187,241	-
Deferred revenue	1,208,214	-	-	1,208,214	-
Bonds and deposits	94,687	115,643	-	210,330	-
Current portion of long-term obligations	1,452,411	418,255	303,345	2,174,011	-
Total current liabilities	5,100,159	610,357	366,061	6,076,577	-
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	12,028,609	4,860,708	293,769	17,183,086	1,768,237
Total liabilities	17,128,768	5,471,065	659,830	23,259,663	1,768,237
Net Assets					
Invested in capital assets - Net of related debt	57,402,934	1,342,351	5,623,780	64,369,065	-
Restricted for ordinance requirements	2,790,123	-	-	2,790,123	-
Unrestricted	17,173,232	336,053	(28,450)	17,480,835	6,057,643
Total net assets	\$ 77,366,289	\$ 1,678,404	\$ 5,595,330	84,640,023	\$ 6,057,643

Amounts reported for business-type activities in the statement of net assets are different because a portion of the Internal Service Fund that is included as business-type activities

269,437

Net Assets of Business-type Activities

\$ 84,909,460

City of Livonia, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended November 30, 2003

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Operating Revenue					
Customer billings	\$ 23,772,465	\$ -	\$ -	\$ 23,772,465	\$ -
Fines and forfeitures	697,988	-	-	697,988	-
Service connections	75,487	-	-	75,487	-
Greens fees	-	-	1,689,248	1,689,248	-
Trail fees	-	-	87,788	87,788	-
City contributions	-	-	-	-	6,676,381
Rental income	-	1,220,260	-	1,220,260	-
Other revenue	166,245	1,982	191,450	359,677	-
Total operating revenue	24,712,185	1,222,242	1,968,486	27,902,913	6,676,381
Operating Expenses					
Cost of water	7,009,096	-	-	7,009,096	-
Cost of sewage disposal	9,353,064	-	-	9,353,064	-
System maintenance and operation	4,589,192	-	-	4,589,192	-
General and administrative	859,180	-	-	859,180	-
Depreciation	2,377,142	164,131	194,754	2,736,027	-
Reinsurance charges and claims	-	-	-	-	5,517,447
Salaries and wages	-	328,540	213,618	542,158	-
Supplies	-	8,753	186,769	195,522	-
Other services and charges	-	200,090	1,061,495	1,261,585	-
Total operating expenses	24,187,674	701,514	1,656,636	26,545,824	5,517,447
Operating Income	524,511	520,728	311,850	1,357,089	1,158,934
Nonoperating Revenue (Expense)					
Interest income	218,914	8,181	901	227,996	95,002
Interest expense	(597,498)	(250,560)	(41,634)	(889,692)	-
Total nonoperating revenue (expense)	(378,584)	(242,379)	(40,733)	(661,696)	95,002
Income - Before contributions and transfers	145,927	278,349	271,117	695,393	1,253,936
Capital Contributed from Developers and Grants	792,207	-	-	792,207	-
Transfers in	34,703	-	-	34,703	-
Change in Net Assets	972,837	278,349	271,117	1,522,303	1,253,936
Net Assets - Beginning of year - As restated (Note 1)	76,393,452	1,400,055	5,324,213	83,117,720	4,803,707
Net Assets - End of year	\$ 77,366,289	\$ 1,678,404	\$ 5,595,330	\$ 84,640,023	\$ 6,057,643
Net Change in Net Assets - Total Enterprise Funds				\$ 1,522,303	
Amounts reported for business-type activities in the statement of activities are different because the Internal Service Fund is allocated partially to business-type activities				425,310	
Change in Net Assets of Business-type Activities				\$ 1,947,613	

City of Livonia, Michigan

Proprietary Funds Statement of Cash Flows Year Ended November 30, 2003

	Major Enterprise Funds		Nonmajor Enterprise Fund		
	Water and Sewer	Housing	Golf Course	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers	\$ 24,117,554	\$ 1,222,460	\$ 1,961,187	\$ 27,301,201	\$ 6,676,381
Payments to suppliers	(17,909,654)	(203,539)	(1,198,439)	(19,311,632)	(5,517,447)
Payments to employees	(4,541,356)	(299,463)	(212,803)	(5,053,622)	-
Other receipts (disbursements)	142,505	(13,984)	(8,948)	119,573	(809,804)
Net cash provided by operating activities	1,809,049	705,474	540,997	3,055,520	349,130
Cash Flows from Noncapital Financing Activities - Net					
transfers in from other funds	34,703	-	-	34,703	-
Cash Flows from Capital and Related Financing Activities					
Contributions from customers	250,519	-	-	250,519	-
Grant reimbursements	22,088	-	-	22,088	-
Principal and interest paid on long-term debt	(1,793,450)	(660,560)	(353,258)	(2,807,268)	-
Purchase of capital assets	(400,718)	(57,549)	(131,600)	(589,867)	-
Net cash used in capital and related financing activities	(1,921,561)	(718,109)	(484,858)	(3,124,528)	-
Cash Flows from Investing Activities					
Interest received on investments	218,914	8,181	901	227,996	95,002
Net (purchases) sales of investment activities	(20,787)	1,202	(41,639)	(61,224)	(119,916)
Net cash provided by (used in) investing activities	198,127	9,383	(40,738)	166,772	(24,914)
Net Increase (Decrease) in Cash and Cash Equivalents	120,318	(3,252)	15,401	132,467	324,216
Cash and Cash Equivalents - December 1, 2002	11,837,562	388,702	-	12,226,264	5,149,676
Cash and Cash Equivalents - November 30, 2003	\$ 11,957,880	\$ 385,450	\$ 15,401	\$ 12,358,731	\$ 5,473,892
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and cash equivalents	\$ 11,149,072	\$ 527,940	\$ 57,040	\$ 11,734,052	\$ 7,498,482
Restricted assets (Note 8)	3,818,976	-	-	3,818,976	-
Total cash and cash equivalents	14,968,048	527,940	57,040	15,553,028	7,498,482
Less investments	(3,010,168)	(142,490)	(41,639)	(3,194,297)	(2,024,590)
Net cash and cash equivalents	\$ 11,957,880	\$ 385,450	\$ 15,401	\$ 12,358,731	\$ 5,473,892

City of Livonia, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended November 30, 2003

	Major Enterprise Funds		Nonmajor Enterprise Fund		
	Water and Sewer	Housing	Golf Course	Total Enterprise Funds	Internal Service Fund
Reconciliation of Operating Income to Net Cash from Operating Activities					
Operating income	\$ 524,511	\$ 520,728	\$ 311,850	\$ 1,357,089	\$ 1,158,934
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	2,377,142	164,131	194,754	2,736,027	-
Changes in assets and liabilities:					
Receivables	(483,744)	218	(7,299)	(490,825)	-
Due from/to other funds	71,250	-	-	71,250	-
Inventory, prepaids, and deposits	18,348	-	(4,263)	14,085	360,710
Restricted asset receivable	-	-	-	-	-
Accounts payable	(706,662)	5,304	49,825	(651,533)	-
Accrued and other liabilities	31,118	12,792	(3,870)	40,040	(1,170,514)
Deferred revenue	(22,914)	-	-	(22,914)	-
Bonds and deposits	-	2,301	-	2,301	-
Net cash provided by operating activities	<u>\$ 1,809,049</u>	<u>\$ 705,474</u>	<u>\$ 540,997</u>	<u>\$ 3,055,520</u>	<u>\$ 349,130</u>

Noncash Investing, Capital, and Financing Activities - During the year ended November 30, 2003, developers constructed water and sewer lines with an estimated value of \$519,600 and donated them to the City's Water and Sewer Fund. The City also amortized the deferred charge on refunding totaling \$60,014.

City of Livonia, Michigan

Fiduciary Funds Statement of Net Assets November 30, 2003

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 56,451	\$ 1,037,625
Investments (Note 3):		
U.S. government securities	29,135,070	-
Common stock	86,340,208	-
Corporate bonds	41,666,639	-
Foreign stock	720,563	-
Mutual funds	40,257,804	-
Bank investment pools	-	5,204,394
Investments held by broker-dealer and banks under securities loans:		
U.S. government securities	5,494,239	-
U.S. corporate fixed income	3,474,095	-
U.S. equities	7,812,655	-
Securities lending short-term collateral bank investment pool	17,335,693	-
Other receivables	1,573,529	1,750
	<u>233,866,946</u>	<u>\$ 6,243,769</u>
Total assets		
Liabilities		
Accounts payable	878,794	\$ 75,026
Due to other governmental units	-	4,339,356
Accrued and other liabilities	822,543	-
Bonds and deposits	-	1,829,387
Amounts due to broker under securities lending agreement	17,335,693	-
	<u>19,037,030</u>	<u>\$ 6,243,769</u>
Total liabilities		
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 214,829,916</u>	

City of Livonia, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefits Trust Funds Year Ended November 30, 2003

Additions

Investment income:

Interest and dividends	\$ 7,233,181
Net appreciation in fair value of investments	19,858,677
Less investment expenses	<u>(409,479)</u>

Net investment income 26,682,379

Securities lending income:

Interest and fees	311,680
Less borrower rebates and bank fees	<u>(276,413)</u>

Total lending income 35,267

Contributions:

Employer	5,352,856
Employee	<u>586,066</u>

Total contributions 5,938,922

Total additions 32,656,568

Deductions

Benefit payments	10,070,752
Medical benefit payments	4,105,453
Refunds of contributions	<u>364,784</u>

Total deductions 14,540,989

Net Increase 18,115,579

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>196,714,337</u>
End of year	<u><u>\$ 214,829,916</u></u>

City of Livonia, Michigan

Component Units Statement of Net Assets November 30, 2003

	Economic Development Corporation	Plymouth Road Development Authority	Total Component Units
Assets			
Cash and cash equivalents	\$ 4,564	\$ 497,695	\$ 502,259
Accounts receivables	4	542	546
Capital assets (Note 4):			
Nondepreciable capital assets	-	474,448	474,448
Depreciable capital assets - Net	-	12,478,214	12,478,214
Total assets	4,568	13,450,899	13,455,467
Liabilities			
Accounts payable	377	172,416	172,793
Accrued and other liabilities	-	25,017	25,017
Noncurrent liabilities:			
Due within one year	-	280,000	280,000
Due in more than one year	-	6,035,000	6,035,000
Total liabilities	377	6,512,433	6,512,810
Net Assets			
Invested in capital assets - Net of related debt	-	6,612,970	6,612,970
Unrestricted	4,191	325,496	329,687
Total net assets	<u>\$ 4,191</u>	<u>\$ 6,938,466</u>	<u>\$ 6,942,657</u>

City of Livonia, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - General government	\$ 11,877	\$ -	\$ -	\$ -
Plymouth Road Development Authority:				
Community and economic development	1,289,736	-	2,318	-
Interest on long-term debt	301,783	-	-	-
Total governmental activities	<u>\$ 1,603,396</u>	<u>\$ -</u>	<u>\$ 2,318</u>	<u>\$ -</u>

General revenues:

Taxes

Interest and other investment earnings

Total general revenues and transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Component Units
Statement of Activities
November 30, 2003

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Economic</u>	<u>Plymouth Road</u>	
<u>Development</u>	<u>Development</u>	
<u>Corporation</u>	<u>Authority</u>	<u>Total</u>
\$ (11,877)	\$ -	\$ (11,877)
-	(1,287,418)	(1,287,418)
-	(301,783)	(301,783)
<u>(11,877)</u>	<u>(1,589,201)</u>	<u>(1,601,078)</u>
-	2,096,039	2,096,039
<u>52</u>	<u>9,098</u>	<u>9,150</u>
<u>52</u>	<u>2,105,137</u>	<u>2,105,189</u>
(11,825)	515,936	504,111
<u>16,016</u>	<u>6,422,530</u>	<u>6,438,546</u>
<u>\$ 4,191</u>	<u>\$ 6,938,466</u>	<u>\$ 6,942,657</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Livonia, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Livonia, Michigan:

Reporting Entity

The City of Livonia, Michigan's legislative branch consists of an elected seven-member council. The City's administration operates under the overall direction of an elected mayor. The accompanying financial statements present the City and its component units. The component units are entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Municipal Building Authority of Livonia is governed by a board that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

The City of Livonia Employees' Retirement System and the City of Livonia Health and Disability Plan have been blended into the City's financial statements. These systems are governed by a five-member Pension Board that includes three individuals chosen by the City Council and/or the mayor. The systems are reported as if they were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of each system. The operations of the Employees' Retirement System and the City of Livonia Health and Disability Plan are reported as a Pension and Other Employee Benefits Fiduciary Fund.

Note I - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units - The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of eight individuals, is selected by the mayor and approved by the City Council. Complete financial statements for the EDC can be obtained from the City of Livonia Finance Department at 33000 Civic Center Drive, Livonia, MI 48154.

The Plymouth Road Development Authority was created to encourage additional economic activity and growth in the Plymouth Road business district. The Authority's governing body, which consists of 12 individuals, is selected by the mayor and approved by the City Council. Internally prepared financial statements for the Plymouth Road Development Authority can be obtained from the City of Livonia Finance Department at 33000 Civic Center Drive, Livonia, MI 48154.

The City has excluded the Housing Commission from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not applicable to specific programs are reported instead as general revenue.

Note 1 - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Refuse Disposal Fund - The Refuse Disposal Fund accounts for the operations of the refuse disposal activities of the City. Funding is provided primarily through a local property tax levy.

Community Recreation Fund - The Community Recreation Fund accounts for the activities of the Livonia Community Recreation Center, ice rinks, and certain other recreation activities. Funding is provided primarily by a local property tax levy and user charges.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Housing Fund - The Housing Fund accounts for the Newburgh and Silver Village residential rental facilities. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to fund general, workers' compensation, and employee health care liability claims and to purchase insurance that provides excess general liability coverage for City employees and property. The fund is financed primarily by charges to the various departments of the City.

Pension and Other Employee Benefits Trust Funds - The Pension and Other Employee Benefits Trust Fund accounts for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund (Water and Sewer Fund) relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Properties are assessed as of December 31 and the related property taxes become a lien when billed. These taxes are billed on July 1 and December 1 of the following year, and are due on September 14 and February 14, respectively. After the final collection date of February 28, real property taxes are added to the county tax rolls.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2002 taxable valuation of the City of Livonia totaled \$4.487 billion (a portion of which is abated and a portion of which is captured by the PRDA), on which ad valorem taxes levied consisted of 4.0476 mills for operating purposes, .8094 mills for police, 1.2143 mills for police and fire, .8094 mills for the library, 2.5768 mills for refuse and recycling, .7861 mills for recreation, .0117 mills for industrial development, .2816 mills for debt service, and .8900 mills for roads, sidewalks, and trees. This resulted in \$17.09 million for operating purposes, \$3.37 million for police, \$5.18 million for police and fire, \$3.43 million for the library, \$10.93 million for refuse and recycling, \$.26 million for industrial development, \$1.19 million for debt service, and \$3.78 million for roads, sidewalks, and trees. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

The delinquent real property taxes of the City are purchased by Wayne County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Wayne County remitted its purchased delinquent real property taxes in August 2003. Wayne County delinquent real property taxes have been recorded as revenue in the current year.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the Investment Agency Fund is generally allocated to each fund using a weighted average of balance for the principal held for each fund on a daily basis.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county and the state being held for the construction and debt service.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	33 to 40 years
Road rights	33 years
Buildings and improvements	20 to 50 years
Machinery, equipment, and vehicles	2 to 20 years
Water and sewer distribution systems	50 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn benefits based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 - Effective December 1, 2002, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB Statement No. 34). Changes to the City's financial statements as a result of GASB Statement No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.

Note I - Summary of Significant Accounting Policies (Continued)

- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (roads, bridges, etc.) not previously accounted for by the City. Capital assets at December 1, 2002 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$94,000,000 to reflect the historical cost of the City's capital assets, using this broader definition, at that date.
- In addition, the governmental activities column includes bonds and other long-term obligations totaling approximately \$60,485,000 previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.
- The activity from the Internal Service Fund has been allocated to the governmental activities and business-type activities.
- Water and sewer capital asset balances at November 30, 2002 were adjusted to a physical inventory performed in 2003. As a result, net assets in the Water and Sewer Fund decreased by \$1,104,965.

Interpretation 6

Due to GASB 16, Interpretation 6, *Adjustment of Compensated Absences*, the following fund balances as of November 30, 2002 have been restated as indicated below:

	<u>General Fund</u>	<u>Refuse Fund</u>	<u>Library Fund</u>
Fund Balance - November 30, 2002 - As previously reported	\$ 4,836,356	\$ 4,137,509	\$ 188,642
GASB #16, Interpretation 6 - Adjustment of compensated absences in the governmental funds, reclassified as a long-term liability	<u>675,000</u>	<u>6,000</u>	<u>36,000</u>
Fund Balance - November 30, 2002 - As restated	<u>\$ 5,511,356</u>	<u>\$ 4,143,509</u>	<u>\$ 224,642</u>

Net change in fund balance for the year ended November 30, 2002 was understated by \$150,000 in the General Fund and overstated by \$140 and \$912 in the Refuse Fund and Library Funds, respectively, as previously reported.

Note I - Summary of Significant Accounting Policies (Continued)

Change in Accounting Principle

During the year ended November 30, 2002, the City changed its method of accounting for the Golf Course activity as a part of the General Fund to accounting for the activity in a separate Enterprise Fund. The General Fund uses the modified accrual basis of accounting in which revenues are recognized when they are measurable and available. Enterprise Funds use the full accrual basis of accounting in which revenues are recorded when earned. As a result of this change in accounting, beginning fund balance of the General Fund was not decreased. Beginning net assets of the Golf Course Fund is increased by \$5,324,213 as a result of recording capital assets and long-term obligations not previously recorded in the General Fund.

During the year ended November 30, 2002, the City changed its method of accounting for the Housing Fund activity as a Special Revenue Fund to an Enterprise Fund. Special Revenue Funds use the modified accrual basis of accounting, in which revenues are recognized when they are measurable and available. Enterprise Funds use the full accrual basis of accounting, in which revenues are recorded when earned. As a result of this change in accounting, beginning fund balance of the Special Revenue Funds is decreased by \$405,674 and beginning net assets of the Housing Fund, as adjusted, is increased by \$1,400,055. These changes resulted from Enterprise Funds recording capital assets and long-term obligations, which were not previously recorded in the Special Revenue Funds.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at December 1, 2002		\$ (1,611,813)
Current year building permit revenue		1,551,931
Related expenses:		
Direct costs	\$ 1,495,170	
Estimated indirect costs	<u>402,740</u>	
Total construction code expenses		<u>1,897,910</u>
Cumulative shortfall at November 30, 2003		<u><u>\$ (1,957,792)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund is authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$100 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Note 3 - Deposits and Investments (Continued)

As permitted by State statutes, and under the provisions of a Securities Lending Authorization Agreement, the City of Livonia's Employees' Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The City of Livonia Employees' Retirement System custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended November 30, 2003, only United States currency was received as collateral.

The City of Livonia Employees' Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of November 30, 2003 was 133 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On November 30, 2003, the City of Livonia Employees' Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the City of Livonia Employees' Retirement System as of November 30, 2002 were \$17,335,693 and \$16,780,989, respectively.

The City of Livonia Employees' Retirement System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The City of Livonia, Michigan's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Unit
Cash and cash equivalents	\$ 25,011,057	\$ 9,065,395	\$ 34,076,452	\$ 1,094,076	\$ 10,130
Investments	9,837,439	3,352,770	13,190,209	237,441,360	492,129
Total cash and investments	34,848,496	12,418,165	47,266,661	238,535,436	502,259
Restricted assets (Note 8)	2,665,080	3,818,976	6,484,056	-	-
Total cash, investments, and and restricted assets	<u>\$ 37,513,576</u>	<u>\$ 16,237,141</u>	<u>\$ 53,750,717</u>	<u>\$ 238,535,436</u>	<u>\$ 502,259</u>

Deposits

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Fiduciary Funds	Component Unit
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 39,515,120	\$ 1,094,076	\$ 10,130
Investments in securities, mutual funds, and similar vehicles	14,219,062	237,441,360	492,129
Petty cash and cash on hand	16,535	-	-
Total	<u>\$ 53,750,717</u>	<u>\$ 238,535,436</u>	<u>\$ 502,259</u>

The bank balance of the City's deposits is \$39,649,000, of which \$800,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Deposits and Investments (Continued)

Component Units

The deposits and investments of the City's component units consist of bank deposits of \$10,130 and investments of \$492,129. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$34,724, which was fully covered by federal depository insurance. The investments of \$492,129 were in bank investment pools. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the component units; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The City believes that the investments in these funds comply with the investment authority noted above.

Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at November 30, 2003. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent in the City's name

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

Note 3 - Deposits and Investments (Continued)

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government - Bank investment pools	\$ 14,219,062	\$ -	\$ -	\$ 14,219,062
Fiduciary funds:				
U.S. government securities	\$ 29,135,070	\$ -	\$ -	\$ 29,135,070
Common stocks	86,340,208	-	-	86,340,208
Corporate bonds	41,666,639	-	-	41,666,639
Foreign bonds	720,563	-	-	720,563
Subtotal	157,862,480	-	-	157,862,480
Investments not subject to categorization:				
Mutual funds	-	-	-	40,257,804
Bank investment pools	-	-	-	5,204,394
Investments held by broker-dealer and banks under securities loans:				
U.S. government securities	-	-	-	5,494,239
U.S. corporate fixed income	-	-	-	3,474,095
U.S. equities	-	-	-	7,812,655
Securities lending short-term collateral bank investment pool	-	-	-	17,335,693
Total fiduciary funds	\$ 157,862,480	\$ -	\$ -	\$ 237,441,360
Component units - Investments not subject to categorizations - Bank investment pools	\$ -	\$ -	\$ -	\$ 492,129

The bank investment pools and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The investments held by broker-dealers and banks under securities loans are not categorized because the corresponding collateral is recorded in the financial statements. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the pool is the same as the value of the pool shares. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

Note 3 - Deposits and Investments (Continued)

Included in the City Pension Trust Fund investments at November 30, 2003 are the following:

- Approximately \$3,045,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$25,393,000 of collateralized mortgage obligations (or obligations of the Federal National Mortgage Association). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Asset-backed securities of approximately \$5,380,000. These obligations typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees, and/or senior subordinated structures. These securities are generally considered to offer modest credit risk, but such risk varies depending on the type of asset being securitized and the extent and nature of the credit enhancement. Prepayment for these “pay through” securities could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance December 1, 2002	Additions	Disposals and Adjustments	Balance November 30, 2003
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 34,114,925	\$ 66,385	\$ -	\$ 34,181,310
Construction in progress	23,159,905	-	(23,159,905)	-
Subtotal	57,274,830	66,385	(23,159,905)	34,181,310
Capital assets being depreciated:				
Infrastructure	54,651,591	5,068,878	-	59,720,469
Road rights	14,716,582	95,369	-	14,811,951
Buildings and improvements	58,978,072	31,168,552	-	90,146,624
Equipment and vehicles	22,957,953	1,841,044	(220,393)	24,578,604
Subtotal	151,304,198	38,173,843	(220,393)	189,257,648
Accumulated depreciation:				
Infrastructure	20,694,321	1,621,370	-	22,315,691
Road rights	2,888,427	446,078	-	3,334,505
Buildings and improvements	20,154,087	1,969,294	-	22,123,381
Equipment and vehicles	12,688,646	2,703,024	(220,393)	15,171,277
Subtotal	56,425,481	6,739,766	(220,393)	62,944,854
Net capital assets being depreciated	94,878,717	31,434,077	-	126,312,794
Net governmental capital assets	\$ 152,153,547	\$ 31,500,462	\$ (23,159,905)	\$ 160,494,104

Note 4 - Capital Assets (Continued)

	Balance December 1, 2002	Additions	Disposals and Adjustments	Balance November 30, 2003
Business-type Activities				
Water and sewer capital assets:				
Capital assets not being depreciated -				
Construction in progress	\$ 3,164,509	\$ 410,988	\$ (3,279,733)	\$ 295,764
Capital assets being depreciated:				
Buildings and improvements	934,205	-	-	934,205
Vehicles	1,527,469	-	-	1,527,469
Machinery and equipment	831,567	-	-	831,567
Water and sewer distribution systems	105,955,183	3,789,063	-	109,744,246
Subtotal	109,248,424	3,789,063	-	113,037,487
Accumulated depreciation:				
Buildings and improvements	399,413	18,683	-	418,096
Vehicles	934,377	167,846	-	1,102,223
Machinery and equipment	599,290	68,334	-	667,624
Water and sewer distribution systems	39,691,871	2,122,279	-	41,814,150
Subtotal	41,624,951	2,377,142	-	44,002,093
Net capital assets being depreciated	67,623,473	1,411,921	-	69,035,394
Net water and sewer capital assets	70,787,982	1,822,909	(3,279,733)	69,331,158
Golf course capital assets:				
Capital assets not being depreciated -				
Land	3,582,488	-	-	3,582,488
Capital assets being depreciated:				
Buildings and improvements	1,602,329	-	-	1,602,329
Land improvements	2,342,792	-	-	2,342,792
Machinery and equipment	683,949	131,600	-	815,549
Subtotal	4,629,070	131,600	-	4,760,670
Accumulated depreciation:				
Buildings and improvements	422,592	32,046	-	454,638
Land improvements	1,245,069	117,140	-	1,362,209
Machinery and equipment	294,185	45,568	-	339,753
Subtotal	1,961,846	194,754	-	2,156,600
Net capital assets being depreciated	2,667,224	(63,154)	-	2,604,070
Net golf course capital assets	6,249,712	(63,154)	-	6,186,558

Note 4 - Capital Assets (Continued)

	Balance December 1, 2002	Additions	Disposals and Adjustments	Balance November 30, 2003
Business-type Activities (Continued)				
Housing Fund:				
Capital assets not being depreciated -				
Land	\$ 1,581,948	\$ -	\$ -	\$ 1,581,948
Capital assets being depreciated:				
Buildings and improvements	6,881,386	-	-	6,881,386
Land improvements	537,954	-	-	537,954
Vehicles	35,391	23,769	(14,850)	44,310
Machinery and equipment	6,000	33,780	-	39,780
Subtotal	7,460,731	57,549	(14,850)	7,503,430
Accumulated depreciation:				
Buildings and improvements	1,951,875	137,628	-	2,089,503
Land improvements	330,127	20,870	-	350,997
Vehicles	29,543	3,588	(14,850)	18,281
Machinery and equipment	3,450	2,045	-	5,495
Subtotal	2,314,995	164,131	(14,850)	2,464,276
Net capital assets being depreciated	5,145,736	(106,582)	-	5,039,154
Net Housing Fund capital assets	6,727,684	(106,582)	-	6,621,102
Net business-type activity capital assets	<u>\$ 83,765,378</u>	<u>\$ 1,653,173</u>	<u>\$ (3,279,733)</u>	<u>\$ 82,138,818</u>

Capital asset activity for the City of Livonia's component units for the year was as follows:

	Balance December 1, 2002	Additions	Disposals and Adjustments	Balance November 30, 2003
Component Units - Plymouth Road				
Development Authority:				
Capital assets not being depreciated - Land	\$ 474,448	\$ -	\$ -	\$ 474,448
Capital assets being depreciated - Land improvements	13,973,401	845,741	-	14,819,142
Accumulated depreciation - Land improvements	1,640,496	700,432	-	2,340,928
Net capital assets being depreciated	12,332,905	145,309	-	12,478,214
Net component unit capital assets	<u>\$ 12,807,353</u>	<u>\$ 145,309</u>	<u>\$ -</u>	<u>\$ 12,952,662</u>

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 508,650
Public safety	1,275,981
Public works	2,638,413
Recreation and culture	<u>2,316,722</u>
Total governmental activities	<u>\$ 6,739,766</u>
Business-type activities:	
Water and sewer	\$ 2,377,142
Housing	194,754
Golf course	<u>164,131</u>
Total business-type activities	<u>\$ 2,736,027</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>\$ 26,968</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 2,060,816
Community Recreation Fund	Nonmajor governmental funds	2,005,799
Nonmajor governmental funds	General Fund	504,200
	Refuse Fund	83,651
	Nonmajor governmental funds	4,534,631
	Water and Sewer Fund	<u>34,703</u>
	Total nonmajor governmental funds	<u>5,157,185</u>
	Total	<u>\$ 9,223,800</u>

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the General Fund to the nonmajor governmental funds of \$2,060,816 represent transfers of unrestricted resources to finance capital projects and general obligation debt service in accordance with budgetary authorizations; the transfer between the nonmajor governmental funds of \$4,534,631 represents the sharing of gas and weight tax revenues between the Major Streets Fund and the Local Streets Fund, in accordance with Act 51 and a transfer from the Local Streets Fund to the Road Fund to help fund local road construction; the transfer from the Community Recreation Fund to the nonmajor governmental funds of \$2,005,799 represents the movement of resources to a Debt Service Fund to be used to service Community Recreation Fund debt.

Note 6 - Leases

Capital Leases - The City has entered into a lease agreement as lessee for financing the purchase of police and fire, election, district court, golf course, and energy conservation equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

Years Ending November 30	Governmental Activities	Business-type Activities
2004	\$ 981,614	\$ 43,917
2005	951,823	-
2006	935,673	-
2007	606,865	-
Total minimum lease payments	3,475,975	43,917
Less amount representing interest	(328,674)	(924)
Present value at November 30, 2003	<u>\$ 3,147,301</u>	<u>\$ 42,993</u>

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Capital lease obligations are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:						
Building Authority Bonds:						
1991 District Court Improvements Bonds						
Amount of Issue - \$650,000	5.00% -	\$60,000 -				
Maturing through 2006	6.70%	\$255,000	\$ 255,000	\$ (60,000)	\$ 195,000	\$ 60,000
1992 MBA Refinancing Bonds						
Amount of Issue - \$2,872,614	2.70% -					
Maturing through 2004	5.75%	\$346,818	703,485	(356,667)	346,818	346,818
1996 MBA Refinancing Bonds						
Amount of Issue - \$391,333						
Maturing through 2005	4.70%	\$391,333	391,333	-	391,333	-
1999 MBA Refinancing Bonds						
Amount of Issue - \$2,985,000	3.30% -	\$430,000 -				
Maturing through 2006	4.00%	\$485,000	1,805,000	(420,000)	1,385,000	430,000
1998 MBA Fire Station Bonds						
Amount of Issue - \$1,700,000	4.70% -	\$65,000 -				
Maturing through 2018	5.00%	\$130,000	1,490,000	(60,000)	1,430,000	65,000
2000 Recreation Bonds						
Amount of Issue - \$3,000,000	5.00% -	\$50,000 -				
Maturing through 2025	5.60%	\$175,000	2,900,000	(50,000)	2,850,000	50,000
2001 Recreation Bonds						
Amount of Issue - \$33,500,000	4.30% -	\$235,000 -				
Maturing through 2030	5.25%	\$1,650,000	33,400,000	(155,000)	33,245,000	235,000
Street and Highway General Obligation						
Unlimited Tax Bonds:						
1990 Street Improvement Bonds						
Amount of Issue - \$1,500,000		\$150,000 -				
Maturing through 2005	6.00%	\$175,000	475,000	(150,000)	325,000	150,000

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities (Continued):						
Building Authority Bonds (Continued):						
1991 Road Improvement Bonds						
Amount of Issue - \$1,500,000	5.00% -					
Maturing through 2006	6.45%	\$ -	\$ 1,600,000	\$ (1,600,000)	\$ -	\$ -
1992 Road Improvement Bonds						
Amount of Issue - \$3,000,000	5.50%	\$ -	1,275,000	(1,275,000)	-	-
Maturing through 2007						
1993 Road Improvement Bonds						
Amount of Issue - \$3,500,000	4.25%	\$275,000 -	2,000,000	(275,000)	1,725,000	275,000
Maturing through 2008		\$400,000				
2002 General Obligation Refunding Bonds						
Amount of Issue - \$2,385,000	2.00% -	\$660,000 -				
Maturing through 2007	3.00%	\$740,000	-	2,315,000	2,315,000	660,000
Special Assessment Bonds:						
1988 Special Assessment Limited Tax Bonds						
Amount of Issue - \$2,090,000	7.35%	\$ -	75,000	(75,000)	-	-
Maturing through 2003						
1989 Special Assessment Limited Tax Bonds						
Amount of Issue - \$1,705,000	7.50%	\$75,000	225,000	(75,000)	150,000	75,000
Maturing through 2005						
1990 Special Assessment Limited Tax Bonds						
Amount of Issue - \$1,750,000	6.00%	\$85,000 -	260,000	(90,000)	170,000	85,000
Maturing through 2005		\$90,000				
Capital Lease Obligations:						
Business Records Company - Election Equipment						
Amount of Issue - \$323,925	4.00%	\$ -	19,546	(19,546)	-	-
Maturing through 2003						
Bank One - Energy Conservation Equipment						
Amount of Issue - \$3,651,237	2.57%	\$229,763 -	2,055,510	(370,521)	1,684,989	389,808
Maturing through 2007		\$389,808				
Comerica Bank:						
Police, Fire, and DPW Radio						
Communication System						
Amount of Issue - \$1,500,000	5.15%	\$ -	280,000	(280,000)	-	-
Maturing through 2003						
16th District Court - Computer System Lease						
Amount of Issue - \$1,500,000	2.15%	\$13,354	39,227	(25,873)	13,354	13,354
Maturing through 2004						
Police Computer						
Amount of Issue - \$1,900,000	5.10%	\$316,667	1,266,667	(316,667)	950,000	316,667
Maturing through 2006						

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities (Continued):						
Comerica Bank (Continued):						
Fire Truck Pumper						
Amount of Issue - \$612,450		\$56,215 -				
Maturing through 2007	3.78%	\$66,533	\$ 612,450	\$ (113,492)	\$ 498,958	\$ 117,823
Other long-term obligations:						
General liability claims, workers' compensation, and health insurance claims						
			2,102,533	(777,089)	1,325,444	-
Compensated absences						
			7,254,182	202,939	7,457,121	3,179,076
Total governmental activities			60,484,933	(4,026,916)	56,458,017	6,448,546
Business-type activities:						
Building Authority Bonds:						
1989 MBA Fox Creek Clubhouse Bonds						
Amount of Issue - \$975,000	8.35% -					
Maturing through 2004	9.20%	\$50,000	150,000	(50,000)	100,000	50,000
1990 MBA Newburgh Village Bonds						
Amount of Issue - \$6,500,000						
Maturing through 2003	6.70%	\$ -	225,000	(225,000)	-	-
1992 MBA Refinancing Bonds						
Amount of Issue - \$1,460,629	2.70% -					
Maturing through 2004	5.75%	\$198,182	376,515	(178,333)	198,182	198,182
1996 MBA Refinancing Bonds						
Amount of Issue - \$208,711						
Maturing through 2005	4.70%	\$ -	208,711	-	208,711	-
1996 MBA Refinancing Bonds						
Amount of Issue - \$4,939,956	3.60% -	\$270,000 -				
Maturing through 2015	5.20%	\$510,000	4,639,956	(50,000)	4,589,956	270,000
1999 MBA Refinancing Bonds						
Amount of Issue - \$1,210,000	3.30% -	\$130,000 -				
Maturing through 2008	4.15%	\$135,000	765,000	(135,000)	630,000	130,000
Water Supply and Wastewater System Bonds:						
2000 Water Supply and Wastewater System Revenue Bonds						
Amount of Issue - \$5,000,000	5.125% -	\$125,000 -				
Maturing through 2020	5.30%	\$450,000	4,800,000	(125,000)	4,675,000	125,000
2002 Water Supply and Wastewater System Revenue Refunding Bonds						
Amount of Issue - \$9,300,000	2.00% -	\$935,000 -				
Maturing through 2012	3.35%	\$1,005,000	9,300,000	(905,000)	8,395,000	935,000
Less deferred amount on refunding			(527,448)	60,014	(467,434)	

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type activities (Continued):						
County contractual obligations:						
1965 Wayne County Sewage Disposal - Series III Amount of Issue - \$4,340,000 Maturing through 2004	3.60%	\$200,000	\$ 400,000	\$ (200,000)	\$ 200,000	\$ 200,000
State Revolving Fund Loan - N. Huron Valley/ Rouge Valley Wastewater Control System Amount of Issue - \$14,428,703 Maturing through 2021	2.25%	\$20,000 - \$25,000	370,000	(20,000)	350,000	20,000
Capital Lease Obligations:						
Comerica Bank - Fox Creek Irrigation System Amount of Issue - \$391,828 Maturing through 2004	2.15%	\$42,993	126,284	(83,291)	42,993	42,993
Other long-term obligations:						
General liability claims, workers' compensation, and health insurance claims			836,219	(393,426)	442,793	-
Compensated absences			353,483	81,206	434,689	202,836
Total business-type activities			22,023,720	(2,223,830)	19,799,890	2,174,011
Total governmental and business-type activities			\$ 82,508,653	\$ (6,250,746)	\$ 76,257,907	\$ 8,622,557
Component units - 1998 Downtown Development						
Bonds:						
Amount of Issue - \$7,500,000	4.60% -	\$280,000 -				
Maturing through 2018	4.70%	\$585,000	\$ 6,580,000	\$ (265,000)	\$ 6,315,000	\$ 280,000

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 3,269,470	\$ 2,271,941	\$ 5,541,411	\$ 1,911,162	\$ 778,314	\$ 2,689,476
2005	3,515,380	2,115,127	5,630,507	1,643,654	705,764	2,349,418
2006	3,040,020	1,975,579	5,015,599	1,429,987	655,262	2,085,249
2007	1,815,582	1,867,964	3,683,546	1,479,987	606,007	2,085,994
2008	1,105,000	1,793,975	2,898,975	1,524,987	552,191	2,077,178
2009-2013	5,450,000	8,231,406	13,681,406	6,778,572	1,859,303	8,637,875
2014-2018	8,530,000	6,452,457	14,982,457	3,242,185	644,089	3,886,274
2019-2023	9,050,000	4,194,525	13,244,525	911,874	71,831	983,705
2024-2028	8,600,000	1,935,663	10,535,663	-	-	-
2029-2030	3,300,000	173,249	3,473,249	-	-	-
Total	\$ 47,675,452	\$ 31,011,886	\$ 78,687,338	\$ 18,922,408	\$ 5,872,761	\$ 24,795,169

Note 7 - Long-term Debt (Continued)

	Component Units		
	Principal	Interest	Total
2004	\$ 280,000	\$ 289,864	\$ 569,864
2005	295,000	276,602	571,602
2006	310,000	262,495	572,495
2007	330,000	247,455	577,455
2008	350,000	231,475	581,475
2009-2013	2,060,000	885,246	2,945,246
2014-2018	2,690,000	328,295	3,018,295
Total	<u>\$ 6,315,000</u>	<u>\$ 2,521,432</u>	<u>\$ 8,836,432</u>

Advance Refundings - During the year, the City issued \$2,385,000 in General Obligation Unlimited Tax bonds with an average interest rate of 2.80 percent. The proceeds of these bonds were used to advance refund \$1,250,000 of outstanding 1991 General Obligation Unlimited Tax bonds and \$1,050,000 of outstanding 1992 General Obligation Unlimited Tax bonds with an average interest rate of 5.56 percent and 5.50 percent, respectively. The net proceeds of \$2,358,846 (after payment of \$26,154 in underwriting fees, insurance, and other issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bond. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets. The advance refunding reduced total debt service payments over the next five years by approximately \$110,000, which represents an economic gain of approximately \$104,000.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At November 30, 2003, \$24,290,000 of bonds outstanding are considered defeased.

Note 7 - Long-term Debt (Continued)

No Commitment Debt - The City has issued Industrial Development Revenue Bonds and Economic Development Corporation bonds, under state law which authorizes municipalities under certain circumstances to acquire and lease industrial sites, buildings, and equipment and lease them to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of November 30, 2003, there is approximately \$61,367,000 no commitment debt outstanding.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities				Business-type Activities
	Street Improvement Capital Project Fund	1990 Street Improvement Capital Project Fund	Community Recreation Capital Project Fund	Total Governmental Activities	Water and Sewer Fund
Cash and cash equivalents:					
Revenue bond reserves	\$ -	\$ -	\$ -	\$ -	\$ 2,790,123
Bond proceeds	651,930	1,414,729	598,421	2,665,080	1,028,853
Total cash and cash equivalents	651,930	1,414,729	598,421	2,665,080	3,818,976
Assets held by Wayne County				-	232,662
Receivable from Wayne County	-	197,407	-	197,407	-
Total restricted assets	<u>\$ 651,930</u>	<u>\$ 1,612,136</u>	<u>\$ 598,421</u>	<u>\$ 2,862,487</u>	<u>\$ 4,051,638</u>

Governmental Activities - The governmental activities have unspent bond proceeds relating to debt issued for the construction of streets and the Livonia Community Recreation Center. The City also has a receivable from Wayne County relating to street construction financed by the City on behalf of the County with bond proceeds.

Business-type Activities - At November 30, 2003, the City was in compliance with the provisions of the Water Supply and Wastewater System Revenue bonds. Net assets have been restricted for \$2,790,123 at November 30, 2003.

Note 8 - Restricted Assets (Continued)

Bond proceeds held in the amount of \$1,028,853 in the Water and Sewer Fund relate to excess funds from the 2000 Water Supply and Wastewater System Revenue bonds to be used for future water and sewer obligations. Net assets have not been restricted at November 30, 2003.

The City also has assets of \$232,662 held at Wayne County that are restricted for future water and sewer obligations. Net assets have not been restricted at November 30, 2003.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits and workers' compensation and participates in the Michigan Municipal Risk Management Authority (the "Authority").

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability, workers' compensation, and medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Self-insurance Internal Service Fund. The estimated liability for property loss, general liability, workers' compensation, and medical claims is recorded within the governmental activities and business-type activities columns of the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation		Medical Claims	
	2003	2002	2003	2002	2003	2002
Estimated liability - Beginning of year	\$ 876,244	\$ 631,614	\$ 1,524,364	\$ 1,026,716	\$ 538,143	\$ 561,073
Estimated claims incurred, including changes in estimates	813,792	1,532,372	357,207	188,207	4,659,675	4,451,723
Claim payments	(1,210,145)	(1,287,742)	(923,168)	309,441	(4,867,875)	(4,474,653)
Estimated liability - End of year	<u>\$ 479,891</u>	<u>\$ 876,244</u>	<u>\$ 958,403</u>	<u>\$ 1,524,364</u>	<u>\$ 329,943</u>	<u>\$ 538,143</u>

Note 10 - Pension Plans

Retirement System

Plan Description - The City of Livonia Employees' Retirement System (the "System") is a single-employer defined benefit pension plan that is administered by the City of Livonia Employees' Retirement System; this plan covers the following employees of the City unless they elected to transfer to the City's 401(a) defined contribution pension plan (see Note 11):

- General employee members - All members hired prior to March 17, 1997 and their beneficiaries
- Police lieutenant and sergeant members - All members hired prior to December 8, 1997 and their beneficiaries
- Police officer members - All members hired prior to November 24, 1998 and their beneficiaries
- Fire fighter members - All members hired prior to July 1, 1998 and their beneficiaries

The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At November 30, 2002, the date of the most recent actuarial valuation, membership consisted of 551 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 317 current active employees. The System does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees from 2.55 percent to 5.21 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Note 10 - Pension Plans (Continued)

Annual Pension Cost - For the year ended November 30, 2003, the City's annual pension cost of \$392,639 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at November 30, 2001 using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) an 8.25 percent rate of return, (b) projected salary increases of 4.75 percent to 12.67 percent per year, and (c) \$240 increases annually in each of the first six years after retirement. Both (a) and (b) include an inflation component of 4.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is the expected future working lifetime.

Reserves - As of November 30, 2003, the plan's reserves have been fully funded as follows:

Legally required reserves:

Reserve for employees' contributions	\$ 8,977,045
Reserve for retired benefit payments	76,387,998
Additional reserves - Reserve for employer contributions	<u>100,033,752</u>
Total reserves	<u>\$ 185,398,795</u>

	Fiscal Year Ended November 30		
	2001	2002	2003
Annual pension cost (APC)	\$ 645,335	\$ 417,464	\$ 392,639
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 10 - Pension Plans (Continued)

Postemployment Health Care Benefit Plan

Plan Description - The City of Livonia Postemployment Health Care Benefit Plan is a single-employer defined benefit plan that is administered by the City of Livonia Employees' Retirement System; this plan covers all full-time employees included in the City's Defined Benefit Pension Plan (1) retiring on or after December 1, 1979, (2) retiring under disability provisions, and (3) retiring before December 1, 1979 if the person has attained age 65. The system provides postemployment health care benefits to plan members and their beneficiaries. On November 4, 1998, the City created a separate plan to cover all postemployment health care benefits of all defined benefit pension plan and defined contribution pension plan members. After this date, all postemployment health care benefit contributions are recorded as revenue in this new plan (see Note 11). However, benefit payments will continue to be paid out of the Postemployment Health Care Benefit Plan as long as reserve balances remain. At November 30, 2002, the date of the most recent actuarial valuation, membership consisted of 551 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 317 current active employees. The plan does not issue a separate financial report.

Contributions - Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires no contributions from the employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. As discussed above, there will be no contributions to the plan subsequent to November 4, 1998.

Note 10 - Pension Plans (Continued)

Reserves - As of November 30, 2003, the plan's legally required reserve for employees' postemployment health care benefits has been fully funded in accordance with the actuarial determined contributions in the amount of \$6,521,737.

	Fiscal Year Ended November 30		
	2001	2002	2003
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 - Defined Contribution Pension Plan

The City established a defined contribution pension plan under Section 401(a) of the Internal Revenue Code for the following employees:

- General employee members - All members hired on or after March 17, 1997
- Police lieutenant and sergeant members - All members hired on or after December 8, 1997
- Police officer members - All members hired on or after November 24, 1998
- Fire fighter members - All members hired on or after July 1, 1998

In addition, the plan covers all employees electing to transfer from the City's defined benefit pension plan (see Note 10).

Note 11 - Defined Contribution Pension Plan (Continued)

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City of Livonia through collective bargaining agreements, the City contributes a percentage of employees' earnings as follows:

	Employees Transferring from the Defined Benefit Pension Plan		New Employees Hired After the Effective Dates Noted Above	
	Employer Contribution	Employee Contribution	Employer Contribution	Employee Contribution
General	12%	3.1% to 3.66%	7%	3.1% to 3.66%
Police lieutenants and sergeants	13%	5.21%	9%	5.21%
Police	13%	5%	9%	5%
Fire	13%	3.56%	11%	3.56%

The employee contribution percentages noted above represent the minimum required contribution. Employees are permitted to contribute additional amounts up to the maximum allowed by law.

The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after four years of service and are vested immediately for employees transferring from the existing defined benefit pension.

In accordance with the above requirements, the City contributed \$1,808,440 during the current year, and employees contributed \$628,916.

Note 12 - Postemployment Benefits

Effective November 4, 1998, the City created the City of Livonia Retiree Health and Disability Benefits Plan. The plan provides medical and health care benefits, including hospitalization and disability benefits, for the welfare of all retirees and their spouses and eligible dependents. After November 4, 1998, all contributions related to postemployment benefits for all members of the Defined Benefit Pension Plan and Defined Contribution Pension Plan and their beneficiaries will be recorded as revenue in the City's Expendable Trust Fund. In addition, all contributions related to postemployment benefits for all members of the Defined Contribution Pension Plan are recorded as revenue in the City's VEBA Expendable Trust Fund.

Note 12 - Postemployment Benefits (Continued)

Eligibility - All retirees of the Defined Benefit Pension Plan and their beneficiaries and future retirees who complete 10 years or more of credited service are eligible.

Contributions - Employer contributions to the trust are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the trust for these employees was established by negotiation with the City's collective bargaining units and requires no contributions from the employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Cost - For the year ended November 30, 2003, the City's annual post-employment cost of \$4,960,217 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at November 30, 2001, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.25 percent investment rate of return and (b) projected 10 percent annual increases in premiums. Both (a) and (b) include an inflation component of 4.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 50 years for health and 30 years for disability.

Reserves - As of November 30, 2003, the trust reserves for employees' post-employment benefits have been fully funded as follows:

Reserve for health insurance	\$ 22,240,322
Reserve for disability insurance	<u>669,062</u>
Total reserves	<u>\$ 22,909,384</u>

	Fiscal Year Ended November 30		
	2001	2002	2003
Annual pension cost (APC)	\$ 4,318,306	\$ 4,575,001	\$ 4,960,217
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Required Supplemental Information

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended November 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 26,017,855	\$ 26,017,855	\$ 25,892,917	\$ (124,938)
Licenses and Permits				
Business	105,400	105,400	110,704	5,304
Nonbusiness	<u>1,525,200</u>	<u>1,525,200</u>	<u>1,463,952</u>	<u>(61,248)</u>
Total licenses and permits	1,630,600	1,630,600	1,574,656	(55,944)
Intergovernmental Revenue				
State and local	10,860,477	10,860,477	10,092,909	(767,568)
Federal	<u>5,000</u>	<u>5,000</u>	<u>5,577</u>	<u>577</u>
Total intergovernmental revenue	10,865,477	10,865,477	10,098,486	(766,991)
Charges for Services	5,368,659	3,276,659	3,203,650	(73,009)
Interest	725,000	725,000	517,821	(207,179)
Fines and Forfeitures	3,380,000	3,686,000	3,299,467	(386,533)
Miscellaneous Revenue				
Rent and royalties	781,096	781,096	794,342	13,246
Sale of fixed assets	250,000	250,000	119,655	(130,345)
Other miscellaneous	<u>1,749,326</u>	<u>1,691,906</u>	<u>1,418,027</u>	<u>(273,879)</u>
Total miscellaneous revenue	<u>2,780,422</u>	<u>2,723,002</u>	<u>2,332,024</u>	<u>(390,978)</u>
Total revenue	<u>\$ 50,768,013</u>	<u>\$ 48,924,593</u>	<u>\$ 46,919,021</u>	<u>\$ (2,005,572)</u>
Expenditures				
General Government				
Legislative:				
City Council	\$ 326,094	\$ 325,244	\$ 312,810	\$ 12,434
City Clerk	528,801	528,801	465,057	63,744
Elections	<u>256,413</u>	<u>256,413</u>	<u>218,747</u>	<u>37,666</u>
Total legislative	1,111,308	1,110,458	996,614	113,844
Judicial	2,446,059	2,446,059	2,344,172	101,887
Executive:				
Mayor's office	221,160	221,160	207,603	13,557
Administrative services	<u>272,181</u>	<u>272,181</u>	<u>270,192</u>	<u>1,989</u>
Total executive	493,341	493,341	477,795	15,546
Human resources:				
Labor relations	147,200	147,200	87,393	59,807
Civil service	<u>748,310</u>	<u>748,310</u>	<u>677,948</u>	<u>70,362</u>
Total human resources	895,510	895,510	765,341	130,169

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended November 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
General Government (Continued)				
Financial administration:				
Accounting	\$ 403,257	\$ 403,257	\$ 384,215	\$ 19,042
Assessing	481,288	481,288	471,202	10,086
Finance	264,825	264,825	256,564	8,261
Independent audit	47,601	47,601	42,882	4,719
Board of Review	4,191	4,191	2,720	1,471
Treasurer	535,757	535,757	511,939	23,818
Data processing	531,191	531,191	483,851	47,340
Total financial administration	2,268,110	2,268,110	2,153,373	114,737
Other activities:				
Legal	600,770	600,770	597,063	3,707
Utilities and supplies	553,385	553,385	517,596	35,789
Acquisition of land	11,000	11,000	3,673	7,327
Research and investigation	24,000	24,000	24,000	-
Ethics board	2,658	2,658	1,903	755
Dues and subscriptions	52,000	52,000	45,170	6,830
Total other activities	1,243,813	1,243,813	1,189,405	54,408
Total general government	8,458,141	8,457,291	7,926,700	530,591
Public Safety				
Police:				
Traffic bureau	654,112	735,120	735,064	56
Administration	3,572,756	3,357,856	3,318,947	38,909
Detective bureau	2,282,730	2,305,230	2,305,210	20
Automotive service	362,050	362,050	353,552	8,498
Communications/Records bureau	799,659	718,651	667,656	50,995
Crossing guards	63,037	63,037	51,394	11,643
Dare/School Liaison	427,999	440,699	440,700	(1)
Reserve police	313,731	312,931	304,761	8,170
Patrol bureau	9,870,132	9,981,632	9,966,631	15,001
Intelligence bureau	1,401,974	1,604,974	1,604,867	107
Total police	19,748,180	19,882,180	19,748,782	133,398
Fire:				
Administration	731,113	717,968	709,964	8,004
Firefighting	8,485,336	8,662,345	8,662,307	38
Fire prevention	477,081	573,512	573,319	193
Total fire	9,693,530	9,953,825	9,945,590	8,235
Protective inspection:				
Building Code Board of Appeals	1,392	1,392	721	671
Inspection	1,175,076	1,175,076	1,088,816	86,260
Total protective inspection	1,176,468	1,176,468	1,089,537	86,931
Total public safety	30,618,178	31,012,473	30,783,909	228,564
Public Works				
Other protective:				
Office of Emergency Preparedness	57,874	57,874	51,436	6,438
Traffic Commission	6,784	6,784	5,706	1,078
Total other protective	64,658	64,658	57,142	7,516

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended November 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
Public Works (Continued)				
Public services - Highways, streets, and maintenance:				
Engineering	\$ 611,332	\$ 611,332	\$ 478,155	\$ 133,177
Administration	5,878	10,978	6,667	4,311
Equipment maintenance	(121,211)	1,289	362	927
Building maintenance	1,756,821	1,631,921	1,487,890	144,031
Street lighting	334,291	334,291	251,497	82,794
Maintenance:				
Streets	1,894	17,944	1,825	16,119
Traffic services	89,080	88,430	30,081	58,349
Forestry	49,594	33,544	1	33,543
Total public services - Highways, streets, and maintenance	<u>2,727,679</u>	<u>2,729,729</u>	<u>2,256,478</u>	<u>473,251</u>
Total public works	<u>2,792,337</u>	<u>2,794,387</u>	<u>2,313,620</u>	<u>480,767</u>
Recreation and Cultural				
Parks and recreation:				
Golf course	1,775,227	-	-	-
Parks maintenance	1,404,522	1,402,472	1,264,465	138,007
Administration	580,913	576,013	450,228	125,785
Recreation facilities	32,088	32,088	31,936	152
Swimming pools	171,936	231,617	220,562	11,055
Recreation athletics	195,422	144,611	138,281	6,330
Recreation programs	<u>66,714</u>	<u>67,744</u>	<u>54,239</u>	<u>13,505</u>
Total parks and recreation	<u>4,226,822</u>	<u>2,454,545</u>	<u>2,159,711</u>	<u>294,834</u>
Cultural:				
Historic Preservation Commission	5,333	5,333	2,812	2,521
Historical Commission	82,846	82,846	70,906	11,940
Library Commission	650,000	650,000	650,000	-
Arts Commission	20,643	20,643	19,369	1,274
Human Labor Relations	7,758	7,758	6,505	1,253
Youth Commission	9,656	9,656	8,453	1,203
Commission on aging	20,125	20,125	15,546	4,579
Community resources	<u>950,989</u>	<u>950,989</u>	<u>893,997</u>	<u>56,992</u>
Total cultural	<u>1,747,350</u>	<u>1,747,350</u>	<u>1,667,588</u>	<u>79,762</u>
Total recreation and cultural	<u>5,974,172</u>	<u>4,201,895</u>	<u>3,827,299</u>	<u>374,596</u>
Community and Economic Development				
City Planning Commission	688,591	688,591	681,891	6,700
Zoning Board of Appeals	<u>127,537</u>	<u>128,387</u>	<u>109,790</u>	<u>18,597</u>
Total community and economic development	<u>816,128</u>	<u>816,978</u>	<u>791,681</u>	<u>25,297</u>
Employee Benefits, Insurance, and Other				
Total expenditures	<u>\$ 50,762,392</u>	<u>\$ 49,823,540</u>	<u>\$ 47,534,512</u>	<u>\$ 2,289,028</u>

City of Livonia, Michigan

	Community Recreation			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 3,355,800	\$ 3,355,800	\$ 3,333,396	\$ (22,404)
Charges for services	1,523,625	1,523,625	1,836,849	313,224
Interest	-	-	69,763	69,763
Miscellaneous revenue	-	-	216	216
Transfers in	500,000	500,000	83,651	(416,349)
Total revenues	5,379,425	5,379,425	5,323,875	(55,550)
Expenditures				
Sanitation	-	-	-	-
Recreation and culture	2,916,541	3,070,478	2,551,058	519,420
Transfers out	2,032,078	2,032,078	2,005,799	26,279
Total expenditures	4,948,619	5,102,556	4,556,857	545,699
Excess of Revenues Over (Under)				
Expenditures	430,806	276,869	767,018	490,149
Fund Balance - Beginning of year - As restated	3,332,717	3,332,717	3,332,717	-
Fund Balance - End of year	<u>\$ 3,763,523</u>	<u>\$ 3,609,586</u>	<u>\$ 4,099,735</u>	<u>\$ 490,149</u>

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended November 30, 2003

Refuse			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 11,000,159	\$ 11,000,159	\$ 10,927,653	\$ (72,506)
90,000	90,000	139,719	49,719
60,000	60,000	77,613	17,613
5,000	5,000	130,330	125,330
-	-	-	-
<u>11,155,159</u>	<u>11,155,159</u>	<u>11,275,315</u>	<u>120,156</u>
12,497,306	12,601,670	10,774,675	1,826,995
-	-	-	-
-	-	-	-
<u>12,497,306</u>	<u>12,601,670</u>	<u>10,774,675</u>	<u>1,826,995</u>
(1,342,147)	(1,446,511)	500,640	1,947,151
<u>4,143,509</u>	<u>4,143,509</u>	<u>4,143,509</u>	<u>-</u>
<u>\$ 2,801,362</u>	<u>\$ 2,696,998</u>	<u>\$ 4,644,149</u>	<u>\$ 1,947,151</u>

City of Livonia, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
11/30/97	\$ 168,884 *	\$ 148,806	\$ (20,078)	113.5	\$ 20,598	(97.5)
11/30/98	177,035 *	151,085	(25,950)	117.2	20,653	(125.6)
11/30/99	184,782 *	149,052	(35,730)	124.0	18,684	(191.2)
11/30/00	192,477 *	148,670	(43,807)	129.5	17,132	(255.7)
11/30/01	200,937 *	151,438	(49,499)	132.7	16,721	(296.0)
11/30/02	199,627 *	159,272	(40,355)	125.3	17,285	(233.5)

* Valued using the 5-year "smoothed funding" market value

Schedule of Employer Contributions

Year Ended November 30	Annual Required Contribution	Percentage Contributed
1998	\$ 2,798,760	100
1999	1,919,594	100
2000	837,116	100
2001	645,335	100
2002	417,464	100
2003	392,639	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of November 30, 2002, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate
Amortization method	Level percent, closed
Remaining amortization period	Expected future working lifetime
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases, including inflation at 4.75%	4.75%-12.65%
Cost of living adjustments	Up to \$240 annually for up to the first six years after retirement

City of Livonia, Michigan

Required Supplemental Information Postemployment Benefit Plans Schedule of Funding Progress (000s omitted)

The following schedules include both the Postemployment Health Care Benefit Plan and the Retiree Health and Disability Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
11/30/97	\$ 15,206 *	\$ 45,584	\$ 30,378	33.4	\$ 28,592	106.2
11/30/98	23,250 *	51,118	27,868	45.5	28,989	96.1
11/30/99	24,360 *	61,357	36,997	39.7	30,375	121.8
11/30/00	25,337 *	71,464	46,127	35.5	31,529	146.3
11/30/01	**	**	**	**	**	**
11/30/02	**	**	**	**	**	**

* Valued using the 5-year "smoothed funding" market value

** Information not available

Schedule of Employer Contributions

Year Ended November 30	Annual Required Contribution	Percentage Contributed
1998#	\$ 2,255,501	100
1998##	1,418,379	100
1999##	3,066,032	100
2000##	3,542,404	100
2001##	4,318,306	100
2002##	4,575,001	100
2003##	4,960,217	100

Contribution made to the Postemployment Health Care Benefit Plan

Contribution made to the Retiree Health and Disability Benefit Plan

City of Livonia, Michigan

Required Supplemental Information (Continued) **Postemployment Benefit Plans** **Schedule of Funding Progress** **(000s omitted)**

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of November 30, 2002, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period:	
Health	50 years
Disability	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected annual premium increases, including inflation at 4.75%	10%

City of Livonia, Michigan

Notes to Required Supplemental Information November 30, 2003

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Special Revenue Funds			
			Community Recreation		Refuse	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 46,414,821	\$ 45,473,696	\$ 5,240,224	\$ 2,551,058	\$ 11,275,315	\$ 10,774,675
Operating transfers budgeted as revenue and expenditures	504,200	2,060,816	83,651	2,005,799	-	-
Amounts per budget statement	<u>\$ 46,919,021</u>	<u>\$ 47,534,512</u>	<u>\$ 5,323,875</u>	<u>\$ 4,556,857</u>	<u>\$ 11,275,315</u>	<u>\$ 10,774,675</u>

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before September 15, the mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. As provided for by the City Charter, not later than November 1, the Council shall adopt the budget through the passage of a budget resolution and transmit the budget to the mayor. Not later than November 15, the mayor shall either approve or disapprove the adopted budget, in whole or in part.

Note 2 - Budgetary Information (Continued)

4. The legislative budget is adopted at a functional level for the General Fund, and at the fund level for other governmental and proprietary funds. The budget document presents information by fund, function, department, and line items. Management may amend the budget at the detail level within the legislative summary constraints. Appropriations that exceed the summary budget constraints require City Council approval.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City did not have significant expenditure budget variances.

Other Supplemental Information

City of Livonia, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Grants and SAD Street Lighting	Cable Television	Library	Public Safety Communication
Assets						
Cash and investments	\$ 2,126,986	\$ 779,978	\$ 143,797	\$ 1,250,103	\$ 513,730	\$ 1,317,547
Receivables:						
Taxes	-	-	-	-	9,382	-
Special assessments	-	-	714	-	-	-
Other	6,994	-	-	-	74	37,931
Due from other funds	-	-	-	-	-	-
Due from other governmental units	726,219	274,248	361,186	-	-	-
Restricted assets	-	-	-	-	-	-
Total assets	\$ 2,860,199	\$ 1,054,226	\$ 505,697	\$ 1,250,103	\$ 523,186	\$ 1,355,478
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 73,281	\$ 93,187	\$ 145,355	\$ 11,597	\$ 43,011	\$ 881
Accrued and other liabilities	-	-	19,357	5,976	49,753	-
Deferred revenue	-	-	139,336	-	8,012	-
Due to other funds	-	-	-	-	-	-
Total liabilities	73,281	93,187	304,048	17,573	100,776	881
Fund Balances						
Reserved for capital construction	-	-	-	-	-	-
Unreserved - Undesignated	2,786,918	961,039	201,649	1,232,530	422,410	1,354,597
Total fund balances	2,786,918	961,039	201,649	1,232,530	422,410	1,354,597
Total liabilities and fund balances	\$ 2,860,199	\$ 1,054,226	\$ 505,697	\$ 1,250,103	\$ 523,186	\$ 1,355,478

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
November 30, 2003**

Special Revenue Funds		Debt Service Funds			
Adjudicated Forfeitures	Roads and Sidewalks	1990 Street Improvement	Special Assessments	Municipal Building Authority and Other	Wayne County Connection Rate
\$ 658,399	\$ 1,391,949	\$ 29,128	\$ 227,754	\$ 114,533	\$ -
-	10,315	3,264	-	-	-
-	-	-	127,046	-	-
-	-	-	-	-	-
-	-	-	-	26,968	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 658,399</u>	<u>\$ 1,402,264</u>	<u>\$ 32,392</u>	<u>\$ 354,800</u>	<u>\$ 141,501</u>	<u>\$ -</u>
\$ 47,977	\$ 191,391	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	8,810	2,788	118,739	-	-
-	-	-	-	1,165	-
47,977	200,201	2,788	118,739	1,165	-
-	-	-	-	-	-
610,422	1,202,063	29,604	236,061	140,336	-
610,422	1,202,063	29,604	236,061	140,336	-
<u>\$ 658,399</u>	<u>\$ 1,402,264</u>	<u>\$ 32,392</u>	<u>\$ 354,800</u>	<u>\$ 141,501</u>	<u>\$ -</u>

City of Livonia, Michigan

	Capital Projects Funds					
	Street Improvement	Drainage Projects Construction	1990 Street Improvement	Fire Station	Golf Course Capital Improvement	Capital Improvement
Assets						
Cash and investments	\$ -	\$ 112,239	\$ -	\$ 70,322	\$ 190,109	\$ 2,073,753
Receivables:						
Taxes	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-
Restricted assets	651,930	-	1,612,136	-	-	-
Total assets	\$ 651,930	\$ 112,239	\$ 1,612,136	\$ 70,322	\$ 190,109	\$ 2,073,753
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 55,349	\$ -	\$ -	\$ 29,808
Accrued and other liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	55,349	-	-	29,808
Fund Balances						
Reserved for capital construction	651,930	-	1,556,787	-	-	-
Unreserved - Undesignated	-	112,239	-	70,322	190,109	2,043,945
Total fund balances	651,930	112,239	1,556,787	70,322	190,109	2,043,945
Total liabilities and fund balances	\$ 651,930	\$ 112,239	\$ 1,612,136	\$ 70,322	\$ 190,109	\$ 2,073,753

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
November 30, 2003**

Capital Projects Funds				
Special Assessments	Building Improvements	Community Recreation Construction	Court Building Improvements	Total Nonmajor Governmental Funds
\$ 217,554	\$ -	\$ -	\$ 514	\$ 11,218,395
-	-	-	-	22,961
606,548	-	-	-	734,308
-	-	-	-	44,999
-	-	-	-	26,968
-	-	-	-	1,361,653
-	-	598,421	-	2,862,487
\$ 824,102	\$ -	\$ 598,421	\$ 514	\$ 16,271,771
\$ 92,613	\$ -	\$ 213,068	\$ -	\$ 997,518
-	-	-	-	75,086
526,492	-	-	-	804,177
-	-	25,803	-	26,968
619,105	-	238,871	-	1,903,749
-	-	359,550	-	2,568,267
204,997	-	-	514	11,799,755
204,997	-	359,550	514	14,368,022
\$ 824,102	\$ -	\$ 598,421	\$ 514	\$ 16,271,771

City of Livonia, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Grants and SAD Street Lighting	Cable Television	Library	Public Safety Communication
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,432,558	\$ -
Special assessments	-	-	824,964	-	-	-
Intergovernmental revenue:						
State and local	4,562,669	1,724,469	395,674	-	-	-
Federal	-	-	1,362,055	-	-	-
Charges for services	-	-	50,378	-	272,075	498,244
Interest	29,175	16,699	2,302	16,664	15,517	13,833
Fines and forfeitures	-	-	-	-	84,041	-
Miscellaneous revenue	14,713	-	52,150	527,716	-	-
Total revenue	4,606,557	1,741,168	2,687,523	544,380	3,804,191	512,077
Expenditures						
Public safety	-	-	224,857	-	-	302,561
Public works	2,507,760	2,215,627	808,659	-	-	-
Recreation and culture	-	-	405,813	524,101	3,774,263	-
Community and economic development	-	-	1,157,126	-	-	-
Capital outlay	-	-	-	-	-	-
Debt - Principal retirement	-	-	-	-	-	-
Debt - Interest and other	-	-	-	-	-	-
Total expenditures	2,507,760	2,215,627	2,596,455	524,101	3,774,263	302,561
Excess of Revenue Over (Under) Expenditures	2,098,797	(474,459)	91,068	20,279	29,928	209,516
Other Financing Sources (Uses)						
Proceeds from the issuance of long-term debt	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	-	1,372,667	-	-	650,000	-
Transfers out	(1,548,907)	(1,703,162)	(87,851)	-	(482,160)	-
Total other financing sources (uses)	(1,548,907)	(330,495)	(87,851)	-	167,840	-
Net Change in Fund Balances	549,890	(804,954)	3,217	20,279	197,768	209,516
Fund Balances - Beginning of year - As restated	2,237,028	1,765,993	198,432	1,212,251	224,642	1,145,081
Fund Balances - End of year	\$ 2,786,918	\$ 961,039	\$ 201,649	\$ 1,232,530	\$ 422,410	\$ 1,354,597

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended November 30, 2003

Special Revenue Funds			Debt Service Funds		
Adjudicated Forfeitures	Roads and Sidewalks	1990 Street Improvement	Special Assessments	Municipal Building Authority and Other	Wayne County Connection Rate
\$ -	\$ 3,775,197	\$ 1,194,734	\$ -	\$ -	\$ -
-	-	-	83,015	-	-
-	-	-	-	-	-
171,566	-	-	-	-	-
-	-	-	-	-	-
9,716	22,809	461	9,619	645	186
171,228	-	-	-	-	-
84,848	43,502	-	-	-	-
437,358	3,841,508	1,195,195	92,634	645	186
564,561	-	-	-	-	-
-	4,521,847	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,070,000	240,000	1,101,667	-
-	-	191,016	28,080	2,007,892	-
564,561	4,521,847	1,261,016	268,080	3,109,559	-
(127,203)	(680,339)	(65,821)	(175,446)	(3,108,914)	186
-	-	2,385,000	-	-	-
-	-	(2,358,846)	-	-	-
-	1,882,402	-	397,402	3,109,558	-
-	-	-	-	-	(34,703)
-	1,882,402	26,154	397,402	3,109,558	(34,703)
(127,203)	1,202,063	(39,667)	221,956	644	(34,517)
737,625	-	69,271	14,105	139,692	34,517
<u>\$ 610,422</u>	<u>\$ 1,202,063</u>	<u>\$ 29,604</u>	<u>\$ 236,061</u>	<u>\$ 140,336</u>	<u>\$ -</u>

City of Livonia, Michigan

	Capital Projects Funds					
	Street Improvement	Drainage Projects Construction	1990 Street Improvement	Fire Station	Golf Course Capital Improvement	Capital Improvement
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Intergovernmental revenue:						
State and local	-	-	-	-	-	-
Federal	-	-	-	-	-	-
Charges for services	-	-	-	-	130,620	-
Interest	1,218	1,836	18,707	942	2,196	30,235
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	4	-	-
Total revenue	1,218	1,836	18,707	946	132,816	30,235
Expenditures						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Capital outlay	-	44,461	34,532	-	87,836	1,479,524
Debt - Principal retirement	-	-	-	-	-	-
Debt - Interest and other	-	-	-	-	-	-
Total expenditures	-	44,461	34,532	-	87,836	1,479,524
Excess of Revenue Over (Under) Expenditures	1,218	(42,625)	(15,825)	946	44,980	(1,449,289)
Other Financing Sources (Uses)						
Proceeds from the issuance of long-term debt	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	400,000	-	-	-	-	789,217
Transfers out	(397,402)	-	-	-	-	(500,000)
Total other financing sources (uses)	2,598	-	-	-	-	289,217
Net Change in Fund Balances	3,816	(42,625)	(15,825)	946	44,980	(1,160,072)
Fund Balances - Beginning of year - As restated	648,114	154,864	1,572,612	69,376	145,129	3,204,017
Fund Balances - End of year	<u>\$ 651,930</u>	<u>\$ 112,239</u>	<u>\$ 1,556,787</u>	<u>\$ 70,322</u>	<u>\$ 190,109</u>	<u>\$ 2,043,945</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended November 30, 2003

Capital Projects Funds				
Special Assessments	Building Improvements	Community Recreation Construction	Court Building Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 8,402,489
434,824	-	-	-	1,342,803
-	-	-	-	6,682,812
-	-	-	-	1,533,621
-	-	-	-	951,317
51,942	293	42,971	236	288,202
-	-	-	-	255,269
28,797	-	-	-	751,730
515,563	293	42,971	236	20,208,243
-	-	-	-	1,091,979
-	-	-	-	10,053,893
-	-	-	-	4,704,177
-	-	-	-	1,157,126
465	-	6,580,111	18,250	8,245,179
-	-	-	-	2,411,667
-	93,741	-	-	2,320,729
465	93,741	6,580,111	18,250	29,984,750
515,098	(93,448)	(6,537,140)	(18,014)	(9,776,507)
-	-	-	-	2,385,000
-	-	-	-	(2,358,846)
-	-	-	-	8,601,246
(403,000)	-	-	-	(5,157,185)
(403,000)	-	-	-	3,470,215
112,098	(93,448)	(6,537,140)	(18,014)	(6,306,292)
92,899	93,448	6,896,690	18,528	20,674,314
<u>\$ 204,997</u>	<u>\$ -</u>	<u>\$ 359,550</u>	<u>\$ 514</u>	<u>\$ 14,368,022</u>

City of Livonia, Michigan

Other Supplemental Information Combining Statement of Net Assets Pension and Other Employee Benefit Trust Funds November 30, 2003

	Employees' Retirement System	VEBA Expendable Trust	Total
Assets			
Cash and cash equivalents	\$ 56,451	\$ -	\$ 56,451
Investments:			
U.S. government securities	29,135,070	-	29,135,070
Common stock	86,340,208	-	86,340,208
Corporate bonds	41,666,639	-	41,666,639
Foreign stock	720,563	-	720,563
Mutual funds	17,815,089	22,442,715	40,257,804
Investments held by broker-dealer and banks under securities loans:			
U.S. government securities	5,494,239	-	5,494,239
U.S. corporate fixed income	3,474,095	-	3,474,095
U.S. equities	7,812,655	-	7,812,655
Securities lending short-term collateral			-
bank investment pool	17,335,693	-	17,335,693
Other receivables	1,100,637	472,892	1,573,529
Total assets	210,951,339	22,915,607	233,866,946
Liabilities			
Accounts payable	872,571	6,223	878,794
Accrued and other liabilities	822,543	-	822,543
Amounts due to broker under securities lending agreement	17,335,693	-	17,335,693
Total liabilities	19,030,807	6,223	19,037,030
Net Assets - Reserved			
Employees' Retirement System	185,398,795	-	185,398,795
Employees' postemployment health care and disability benefits	6,521,737	22,909,384	29,431,121
Total net assets	\$ 191,920,532	\$ 22,909,384	\$ 214,829,916

City of Livonia, Michigan

Other Supplemental Information Combining Statement of Changes Net Assets Pension and Other Employee Benefit Trust Funds Year Ended November 30, 2003

	Employees' Retirement System	VEBA Expendable Trust	Total
Additions			
Investment income:			
Interest and dividends	\$ 6,865,664	\$ 367,517	\$ 7,233,181
Net appreciation in fair value of investments	17,944,209	1,914,468	19,858,677
Less investment expenses	<u>(375,530)</u>	<u>(33,949)</u>	<u>(409,479)</u>
Net investment income	24,434,343	2,248,036	26,682,379
Securities lending income:			
Interest and fees	311,680	-	311,680
Less borrower rebates and bank fees	<u>(276,413)</u>	<u>-</u>	<u>(276,413)</u>
Total lending income	35,267	-	35,267
Contributions:			
Employer	392,639	4,960,217	5,352,856
Employee	<u>586,066</u>	<u>-</u>	<u>586,066</u>
Total contributions	<u>978,705</u>	<u>4,960,217</u>	<u>5,938,922</u>
Total additions	25,448,315	7,208,253	32,656,568
Deductions			
Benefit payments	10,070,752	-	10,070,752
Medical benefit payments	3,775,198	330,255	4,105,453
Refunds of contributions	<u>364,784</u>	<u>-</u>	<u>364,784</u>
Total deductions	<u>14,210,734</u>	<u>330,255</u>	<u>14,540,989</u>
Net Increase	11,237,581	6,877,998	18,115,579
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	<u>180,682,951</u>	<u>16,031,386</u>	<u>196,714,337</u>
End of year	<u>\$ 191,920,532</u>	<u>\$ 22,909,384</u>	<u>\$ 214,829,916</u>

February 23, 2004

The Honorable Mayor and Members
of the City Council
City of Livonia
33000 Civic Center Drive
Livonia, MI 48154-3097

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Livonia for the year ended November 30, 2003. In addition to our audit report, we offer the following comments and recommendations for your consideration:

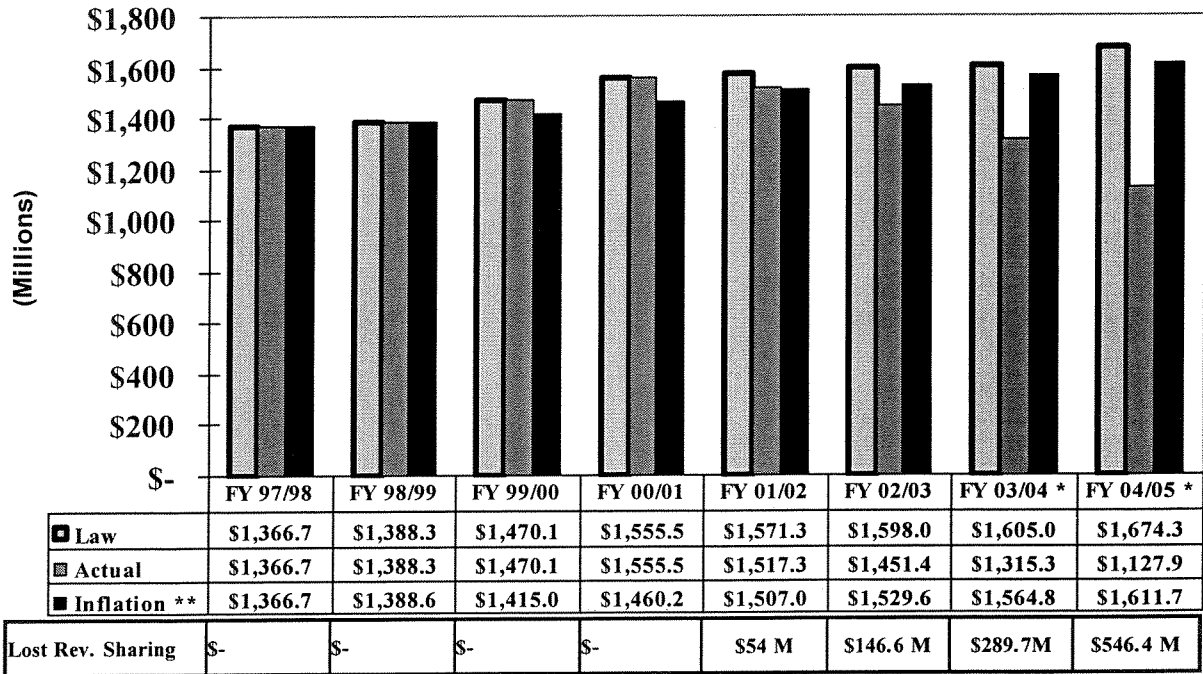
REVENUE SHARING

As you are aware, revenue sharing payments for the State's fiscal year ended September 30, 2003 were reduced by 3.5 percent through a December 2002 Executive Order. The budget for the State's fiscal year ended September 30, 2004 includes an *additional* 3 percent reduction in revenue sharing payments from the estimated payments for the State's 2003 fiscal year. These cuts are compounded by reductions that result when sales tax collections are less than what is included in the State's projections. In December 2003, the Governor issued an executive order reducing revenue sharing for the State's fiscal year ended September 30, 2004 an additional 5 percent.

In February 2004, the Governor introduced her budget for the State's fiscal year ended September 30, 2005. For cities, villages and townships, the Governor's budget proposal is to keep revenue sharing levels for the September 30, 2005 fiscal year end at the September 30, 2004 fiscal year end levels. However, the proposal eliminates statutory revenue sharing for counties. There is considerable discussion in Lansing about further reductions to state shared revenue from the Governor's budget proposal for fiscal year ended September 30, 2005 if the proposed cigarette tax increase does not pass and/or the counties have their statutory revenue sharing restored.

We have attached two charts to provide you with more detail on what has occurred with revenue sharing, both at the State level and relative to the City of Livonia. The first chart represents total revenue sharing distributions to all local governments. As the chart indicates, beginning with the State's 2002 fiscal year and continuing forward, the State has not fully funded revenue sharing. In fact, over a four year period (from fiscal years 2002 through 2005), the State has diverted over \$1 billion of revenue sharing provided by law away from local government. The second chart demonstrates the impact that these cuts in revenue sharing by the State have had on the City of Livonia. For the City, revenue sharing funding levels are \$1,819,008 less in the 2004 fiscal year as compared to fiscal year 2000.

Total State Shared Revenue - Cities, Villages, Townships and Counties

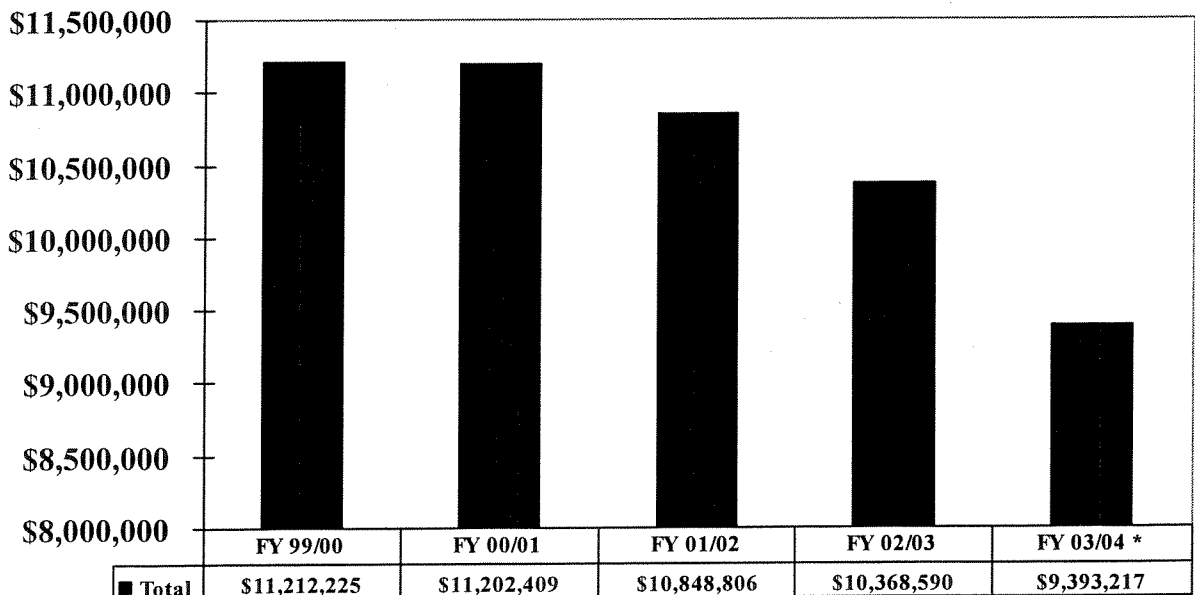


Note: For "Law" FY 97/98 through FY 00/01, no appropriation reduction included. For "Law" FY 01/ 02 through FY 04/ 05, amount calculated based on constitutional revenue sharing.

* Projected

** Inflation applied to FY 97/98 total state shared revenue based on Proposal A inflation factor 1.6%(98/99), 1.9%(99/00), 3.2%(00/01), 3.2%(01/02), 1.5%(02/03), 2/3% (03/04), 3% est.(04/05)

Total State Shared Revenue – City of Livonia



* Projected (Data Source for all State Fiscal Years Michigan Department of Treasury).

We recommend that the City continue to evaluate the impact of the revenue sharing reductions on the 2004 budget. Updated information can be obtained from the Department of Treasury's web site at <http://treas-secure.state.mi.us/apps/findrevshareinfo.asp>, or by calling the Office of Revenue and Tax Analysis at (517) 373-2697. We will continue to update the City as developments occur.

NEW HOMESTEAD AUDIT PROGRAM

Public Act 105 of 2003 provides new authority for local units of government and the Michigan Department of Treasury to share homestead information to determine if a resident is illegally claiming a homestead exemption on property. As you recall, following the passage of Proposal A in 1994, individuals in Michigan are allowed only one homestead for property tax purposes. A residence which is not an individual's homestead pays property tax at the non-homestead rate. The Michigan Department of Treasury will publish additional guidance related to this new law.

OTHER ACCOUNTING MATTERS

Engineering Department

During the course of the audit, we performed cash receipt audit procedures in the Engineering Department. We noted several areas in which internal controls could be strengthened as described below:

- The Engineering Department does not have prenumbered receipts and is not in the practice of giving the customer a receipt. Without pre-numbered receipts and not issuing a receipt to the customer, cash could be taken in and not reported to the treasurer's office. A pre-numbered receipts system allows for accountability of all cash taken in at a particular location.
- Based on the sample we selected for testing, we noted a couple instances in which checks were received at the Engineering Department in March 2000 and not deposited in the bank until October 2003. Checks that are not deposited for lengthy time periods are not accounted for properly in the City's general ledger as cash available for City needs (permit revenue) or as deposits to be returned to customer (building bonds). Depositing all cash receipts timely as well as using a pre-numbered receipts system, as described above, could help to resolve these issues.
- Checks received by the engineering department are not restrictively endorsed. When checks are received, they should be stamped as restrictively endorsed by the Engineering Department and sent to the Treasurer's department for deposit.
- The Engineering Department does not receive a copy of the deposit slip from the Treasurer's Department. Engineering should request a copy of the deposit slip and reconcile with their cash receipts records. Performing this review can help ensure accountability for all monies sent over to the Treasurer's department and to detect errors on a timely basis.

GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT 34

As previously communicated to you, Governmental Accounting Standards Board (GASB) Statement 34 is now here. You will notice a very different look to the financial statements. Preparing for this new reporting model has required a significant amount of effort by the City's Finance Department.

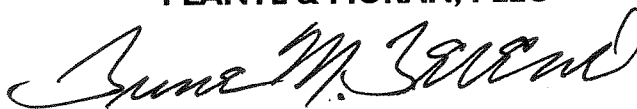
Although there are many differences with this new reporting model, the major additions are as follows:

- Management Discussion and Analysis: Management is now required to give an overview of the City's overall financial position and results of operations.
- Government-wide Financial Statements: These additional statements adjust the **fund-based** statements into a combined, **city-wide full-accrual** format. This allows a financial statement reader to see the City from a long-term perspective (i.e. are today's taxpayers paying for today's services?). These statements show capital and infrastructure assets as well as long-term debt as part of the City's financial picture.
- Budget Comparison: A financial statement reader will now be able to view not only the actual revenue and expenditures of the City as compared to the final amended budget, but also as compared to the original budget for the General Fund and Major Special Revenue Funds. This may cause readers of the financial report to inquire as to the reasons for significant changes between the original and final amended budget.

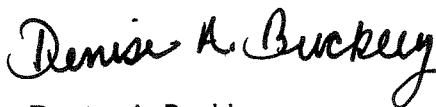
We would like to thank the Mayor and City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC



Bruce M. Berend



Denise A. Buckley

City of Livonia, Michigan

**Federal Awards
Supplemental Information
November 30, 2003**

City of Livonia, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the basic financial statements of the City of Livonia, Michigan for the year ended November 30, 2003 and have issued our report thereon dated February 23, 2004. Those basic financial statements are the responsibility of the management of the City of Livonia, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Livonia, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

February 23, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Basic Financial Statements

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the financial statements of the City of Livonia, Michigan as of and for the year ended November 30, 2003 and have issued our report thereon dated February 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Livonia, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Livonia, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 23, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Compliance

We have audited the compliance of the City of Livonia, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended November 30, 2003. The major federal programs of the City of Livonia, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Livonia, Michigan's management. Our responsibility is to express an opinion on the City of Livonia, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Livonia, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Livonia, Michigan's compliance with those requirements.

In our opinion, the City of Livonia, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended November 30, 2003.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Internal Control Over Compliance

The management of the City of Livonia, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Livonia, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 23, 2004

City of Livonia, Michigan

Schedule of Expenditures of Federal Awards Year Ended November 30, 2003

	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grant:				
Program year 2001 - B01 MC-26-0008	14.218	N/A	\$ 516,000	\$ 5,583
Program year 2002 - B02 MC-26-0008	14.218		499,000	727,270 (1)
Program year 2003 - B03 MC-26-0008	14.218		506,000	186,018 (1)
Total Community Development Block Grant				918,871
Passed through the Michigan State Housing Development Authority - HOME Investment Partnership:				
Program year 2002	14.239	M-2000-5068	599,900	102,485
Program year 2003	14.239	M-2002-5068	277,200	57,000
HOME Buyer Grant	14.239	M-2001-5068	333,300	79,063
Total U.S. Department of Housing and Urban Development				1,157,419
U.S. Department of Justice - Federal Equitable Sharing Program	16.0000	N/A	313,368	313,368
U.S. Department of Health and Human Services - Passed through State of Michigan Department of Community Health - Senior Center Staffing	13.635	Project 9/30/03 Project 9/30/04	7,463 7,058	6,219 1,176
Total U.S. Department of Health and Human Services				7,395
U.S. Department of Transportation:				
Oil Spill Reimbursement	20.unknown	N/A	4,413	4,413
Passed through the Michigan Office of Highway Safety Planning - Click it or Ticket	20.600	OP-02-12	27,783	2,781
Passed through the Michigan Department of State Police - Hazardous Material Emergency Planning Grant	20.703	NONE	1,028	281
Total U.S. Department of Transportation				7,475
Federal Emergency Management Agency - Passed through Michigan Department of State Police:				
Emergency Management Assistance to Firefighters Grant	83.544	EMW-2002-FG-14305	102,900	102,900
Emergency Management Performance Grant	83.552	NONE	5,094	5,094
2002 Pre-Disaster Mitigation Grant	83.557	NONE	35,000	8,510
2002 Supplemental Planning Grant	83.562	NONE	20,869	8,800
Total Federal Emergency Management Agency				125,304
U.S. Department of Justice:				
2001 Local Law Enforcement Block Grants Program	16.592	N/A	55,210	55,210
Passed through the Michigan Office of Drug Control Pollicy - Bureau of Justice Program - Byrne Memorial Formula Grant	16.579	2003-DB-MU-0026	7,500	7,500
Total U.S. Department of Justice				62,710
Total federal awards				<u><u>\$ 1,673,671</u></u>

(1) Current year expenditures include use of program income from housing rehabilitation and City-owned homes.

City of Livonia, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended November 30, 2003

Revenue from federal sources - As reported on the basic financial statements (includes all funds)	\$ 1,539,198
Add federal revenue reported as other revenue	281
Add federal drug forfeiture expenditures in excess of revenues	141,802
Less state and local revenue reported as federal revenue	<u>(7,610)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,673,671</u>

City of Livonia, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended November 30, 2003

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Livonia, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended November 30, 2003 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture - Passed through the Wayne-Metropolitan Community Services Agency	10.569	USDA Food Distribution	\$ 32,989

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 80,000

City of Livonia, Michigan

Schedule of Findings and Questioned Costs Year Ended November 30, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant
16.unknown	Federal Equitable Sharing Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

City of Livonia, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended November 30, 2003

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None